Cleveland State University

(a component unit of the State of Ohio)

Financial Report

Including Supplemental Information

June 30, 2015

Dave Yost • Auditor of State

Board of Trustees
Cleveland State University
2121 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cleveland State University, Cuyahoga County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cleveland State University is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 23, 2015

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Independent Auditor's Report

To the Board of Trustees
Cleveland State University

Report on the Financial Statements

We have audited the accompanying financial statements of Cleveland State University (the "University"), and its aggregate discretely presented component units, The Cleveland State Foundation, Inc. and Euclid Avenue Development Corporation, as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise Cleveland State University's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Cleveland State University Foundation, Inc. (the "Foundation") and Euclid Avenue Development Corporation (the "Corporation"), which represent all of the balances and activity reported in the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Corporation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees
Cleveland State University

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland State University and its aggregate discretely presented component units as of June 30, 2015 and 2014, and the changes in its financial position and, where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2014 the University adopted new accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 is an amendment to Statement No. 27. In accordance with Statement No. 68, the University is now recognizing its unfunded pension benefit obligation as a liability on the Statement of Net Position for the first time. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of pension funding progress, and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cleveland State University's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governements, and Non-Profit Orgnizations, and is not a required.*

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Cleveland State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 on our consideration of Cleveland State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2015

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University was established in 1964 by action of the Ohio General Assembly and is part of the State of Ohio's (the "State") system of State-supported and State-assisted institutions of higher education. It is one of the 13 State universities in Ohio. By statute, it is a body politic and corporate and an instrumentality of the State. Located in the city of Cleveland, the University is an urban institution. A majority of the University's students commute daily from their homes in the Cleveland metropolitan area.

Using the Annual Financial Report

The University's financial report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other nonfinancial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Development Corporation (the "Corporation") are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from the management's discussion and analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Union Building Room 513, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the Vice President for Business Affairs and Finance at 2300 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Change in Accounting Principle

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. In accordance with the statements, the University recorded $180,522,393 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Financial Highlights

The University's financial position remained strong with assets of $708.0 million, deferred outflow of $11.5 million, liabilities of $476.2 million and deferred inflow of $19.9 million at June 30, 2015. Net position, which represents the residual interest in the University's assets and deferred outflow of resources after liabilities and deferred inflows of resources are deducted totaled $223.4 million, after the implementation of GASB 68. The University's net position without considering the requirement and effect of GASB 68's implementation would be $401.5 million.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and deferred outflow and liabilities and deferred inflow – net position– is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, deferred outflow, liabilities and deferred inflow are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
Current assets	$ 147,244,434	$ 147,107,085	$ 127,115,537
Noncurrent assets:			
Capital assets, net	500,895,050	473,007,276	470,807,959
Other	59,833,353	94,759,762	100,323,191
Deferred Outflow	11,489,861		
Total assets and deferred outflow	719,462,698	714,874,123	698,246,687
Current liabilities	47,707,443	46,493,301	48,069,690
Noncurrent liabilities	428,459,130	275,713,014	282,499,014
Deferred Inflow	19,860,358		
Total liabilities and deferred inflow	496,026,931	322,206,315	330,568,704
Net position	$ 223,435,767	$ 392,667,808	$ 367,677,983

In accordance with the University's implementation of GASB 68 deferred outflow of resources has been recorded. "Deferred outflow of resources" is defined as the consumption of net assets applicable to a future reporting period. The deferred outflow has a positive effect on net position similar to assets. The University's deferred outflow consists primarily of pension contributions made subsequent to the measurement dates.

Current assets consist primarily of cash, investments, accounts and notes receivable, prepaid expenses, and inventories. Current liabilities consist primarily of accounts payable, accrued payroll and other liabilities, unearned revenue, and the current portion of long-term debt.

Current assets increased slightly in 2015 from 2014, primarily due to an increase in cash and cash equivalents versus short-term investments.

Current assets increased in 2014 from 2013, primarily due to an increase in accounts receivable caused by the timing of a payment on a grant.

Net capital assets increased in 2015 from 2014 by $27.9 million, or 5.9% and assets increased in 2014 from 2013 by $2.2 million, or 0.5% . The increase in 2015 and 2014 was primarily due to construction of the Center for Innovations in Medical Professions building.

Other assets decreased in 2015 from 2014 by $34.9 million, or 36.9% primarily due to the spending of restricted investments (bond proceeds). Other assets decreased in 2014 from 2013 by $5.6 million, or 5.5%. The decrease was primarily for the same reason.

In conjunction with the University's implementation of GASB 68 deferred inflow of resources has been recorded. "Deferred inflow of resources" is defined as the current acquisition of net assets that is applicable to a future period. The deferred inflows have a negative effect in net position similar to liabilities. The University's deferred inflow consists primarily of its share of pension plan amounts to be recognized to pension expense in the future, specifically the difference between expected and actual investment earnings.

Liabilities increased in 2015 by $154.0 million, or 47.8% primarily due to recording the net pension liability as require by GASB 68. Liabilities decreased in 2014 from 2013 by $8.3 million, or 2.5% primarily due to a timing difference in accounts payable and payments on outstanding bonds.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled $57.8 million in 2015 $31.2 million in 2014, and $22.3 million in 2013. Capital retirements totaled $9.0 million in 2015, $5.3 million in 2014, and $14.5 million in 2013. Capital additions and retirements for 2015, 2014 and 2013 exclude transfers from construction in progress to buildings in the amount of $5.3 million in 2014; there were no transfers from construction in progress to buildings in 2015 or 2013. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to $0.06 million in 2015, $0.24 million in 2014, and $0.34 million in 2013.

During August 2012, the University issued Series 2012 General Receipts Bonds in the amount of $152 million. Included in this issuance was $45 million of funding for a planned new facility on campus to advance the University's growing role in health sciences and expand its alliance with Northeast Ohio Medical University (NEOMED). The University demolished a vacant dormitory and replaced it with a health and life sciences building, The Center for Innovations in Medical Professions. Construction began in November 2013 and was complete in June 2015.

In September 2011, the University issued taxable general receipts bonds in the principal amount of $5.77 million. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the annual rate of 5.32%. The proceeds of the bonds were used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood - Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer, but is not affiliated with Cleveland State University.

In August 2009, the University entered into a capital lease with the Corporation in the amount of $14.5 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make periodic payments to the Corporation equal to its required debt service payments.

In August 2010, the University entered into a capital lease with the Corporation in the amount of $7.07 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make payments to the Corporation equal to its required debt service payments.

In March 2009, the University entered into a capital lease, financed by PNC Bank, in the amount of $42.8 million. Proceeds were used to fund a variety of energy conservation projects on the University's campus.

Net Position

The University's net position at June 30, 2015, 2014, and 2013 are summarized as follows:

	2015	2014	2013
Net investment in capital assets	$ 292,943,213	$ 254,046,991	$ 252,363,981
Restricted - expendable	35,778,797	26,577,260	18,216,207
Restricted - nonexpendable	1,469,961	1,496,842	1,316,540
Unrestricted*	(106,756,204)	110,546,715	95,781,255
Total net position	$ 223,435,767	$ 392,667,808	$ 367,677,983

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net position are due to the net effect of additions to, disposals of, and depreciation on capital assets.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenue and expenses in funds provided by donors and grantors. Restricted nonexpendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was neutral in 2015 and positive in 2014.

Unrestricted net position is not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $5.9 million at June 30, 2015, $6.1 million at June 30, 2014, and $5.3 million at June 30, 2013.

For the year ended June 30, 2015, the University had a decrease in total net position of $169.2 million or 43.1%. Net investment in capital assets increased by $38.9 million, or 15.3% because capital additions significantly exceed deductions and depreciation expense. Unrestricted net position decreased by $217.3 million, or 196.6%, due to slight declines in enrollment and the $180 million adjustment recorded as the result of implementing GASB 68.

For the year ended June 30, 2014, the University had an increase in total net position of $25.0 million or 6.8%. Net investment in capital assets increased by $1.7 million, or 0.7%, because capital asset additions exceeded deductions and depreciation expense. Unrestricted net position increased by $14.8 million, or 15.4%, due primarily to an increase in net tuition income (which went from $153.9 million in 2013 to $160.0 million in 2014), an increase in gifts and grants of $4.0 million, an increase in State subsidy of $3.0 million and an increase in investment return of $2.5 million in 2014.

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenue, Expenses and Changes in Net Position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or non-operating. As a public institution, the University is dependent on State assistance. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as non-operating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenue, expenses, and changes in net assets for the years ended June 30, 2015, June 30, 2014, and June 30, 2013 are as follows:

	2015	2014	2013
Operating revenue:			
Net student tuition and fees	$ 155,373,567	$ 159,789,368	$ 153,869,978
Grants and contracts	13,893,006	25,420,702	21,451,164
Other	30,054,306	31,691,848	32,203,400
Total operating revenue	199,320,879	216,901,918	207,524,542
Operating expenses:			
Educational and general	232,882,208	242,678,174	237,975,625
Auxiliary enterprises	32,884,041	32,448,832	31,594,198
Depreciation and amortization	26,666,434	26,657,857	26,550,715
Total operating expenses	292,432,683	301,784,863	296,120,538
Operating loss	(93,111,804)	(84,882,945)	(88,595,996)
Non-operating revenue, net of interest:			
State appropriations	71,018,135	68,079,520	65,061,745
Other	33,324,400	41,556,237	34,560,133
Gain before other changes	11,230,731	24,752,812	11,025,882
Other changes	59,621	237,013	335,459
Increase in net assets	11,290,352	24,989,825	11,361,341
Net position at beginning of year	392,667,808	367,677,983	356,316,642
Adjustment for change in accounting principle	(180,522,393)		
Net position beginning of year-as restated*	212,145,415		
Net position at end of year	$ 223,435,767	$ 392,667,808	$ 367,677,983

*Restated per implementation of GASB 68

Total revenue and other changes, net of interest on debt, in fiscal 2015, 2014 and 2013 were $311.6, $334.7 million, and $315.3 million, respectively. The most significant sources of 2015 operating revenue for the University, as reflected in the Statement of Revenues, Expenses and Changes in Net Position, were student tuition and fees of $155.4 million, grants and contracts of $13.9 million, and auxiliary services of $22.8 million.

Revenue from tuition and fees (net of scholarship allowances) decreased in 2015 from 2014 by $4.4 million, or 2.8%, due to lower than expected enrollment. Headcount enrollment decreased by 2.5% while full-time equivalent enrollment decreased by 5.6% over the prior year. A tuition increase of 2.0% was implemented in Fall 2014.

Revenue from tuition and fees (net of scholarship allowances) increased in 2014 from 2013 by $5.9 million, or 3.8%, due to an increase in tuition rates. Headcount enrollment increased by 1.2% while full-time equivalent enrollment increased by 5.0% over the prior year. A tuition increase of 2.0% was implemented in the Fall 2013.

Total expenses in 2015, 2014, and 2013 were $300.3 million, $309.8 million, and $304.0 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Expenses decreased by $9.5 million (3.0%) in 2015, increased by $5.8 million (1.9%) in 2014 and $14.8 million (5.1%) in 2013, partially due to tightly monitored and control over spending because of lower in enrollment and reduction in pension expense resulting from implementation of GASB 68; in 2014 increases in salaries and benefits, equipment and maintenance costs; and in 2013 an increase in depreciation expense.

Sources of non-operating revenue include State appropriations of $71.0 million in 2015, $68 million in 2014, and $65.1 million in 2013; grants and contracts of $25.6 million in 2015, $23.8 million in 2014, and $25.7 million in 2013; gifts of $15.1 million in 2015, $13.8 million in 2014, and $7.3 million in 2013; and investment income of $0.55 million in 2015, $11.9 million in 2014, and $9.4 million in 2013.

Net non-operating revenue decreased in 2015 from 2014 by $5.3 million, or 4.8% primarily due to unfavorable investment returns. Net non-operating revenue increased in 2014 from 2013 by $10 million, or 10.1%, due primarily to fundraising efforts and favorable investment returns.

Other changes consist primarily of State capital appropriations of $0.06 million in 2015, $0.24 million in 2014, and $0.34 million in 2013.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 is as follows:

	2015	2014	2013
Net cash (used in) provided by:			
Operating activities	$ (59,442,954)	$ (69,740,071)	$ (55,626,624)
Noncapital financing activities	111,584,581	105,931,037	97,819,682
Capital financing activities	(80,282,289)	(43,310,078)	30,220,541
Investing activities	42,869,879	(10,868,327)	(66,570,252)
Net increase (decrease) in cash	14,729,217	(17,987,439)	5,843,347
Cash at beginning of year	10,253,742	28,241,181	22,397,834
Cash at end of year	$ 24,982,959	$ 10,253,742	$ 28,241,181

Major sources of cash included student tuition and fees of $154.8 million in 2015, $158.7 million in 2014, and $152.7 million in 2013; State appropriations of $71.0 million in 2015, $68.1 million in 2014, and $65.1 million in 2013; grants and contracts (operating and noncapital) of $49.1 million in 2015, $40.7 million in 2014, and $50.6 million in 2013; and auxiliary activities of $23.9 million in 2015, $24.1 million in 2014, and $21.8 million in 2013.

The largest payments were for employee compensation and benefits totaling $182.5 million in 2015, $169.4 million in 2014 and $161.4 million in 2013; suppliers of goods and services totaling $85.9 million in 2015, $107.8 million in 2014 and $104.0 million in 2013; and purchases of capital assets totaling $54.6 million in 2015, $29.1 million in 2014 and $19.7 million in 2013.

The change in cash flows from 2014 to 2015 is primarily due to increase in the State appropriations, collections of grants and contracts and short-term investments maturing. The change in cash flows between 2014 and 2013 is primarily due to the University’s decision to move more of its cash from the bank to short-term investment vehicles. The rate of return available at other financial institutions was higher than that provided by its operating bank.

Credit Rating

The University’s bonds are rated “A+” stable by Standard & Poor’s, with the most recent rating published on November 3, 2014. An “A” rating indicates a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. This rating is consistent with the years ended June 30, 2014 and 2013. The highest achievable rating is “AAA.” The University’s capacity to meet its financial obligations is considered strong. The University’s bonds are rated “A1” by Moody’s Investors Service, with the most recent rating published on November 18, 2014. Obligations rated “A” by Moody’s are judged to be upper-medium grade and are subject to low credit risk. The highest achievable rating is “AAA”.

Looking Ahead

The primary challenges facing Ohio public institutions of higher learning, including Cleveland State University (CSU), continue to be (1) maintaining the quality of academic instruction, (2) preserving enrollment and assisting students in degree completion, (3) growing revenue, and (4) controlling costs. There have been changes in the State of Ohio's higher education funding model which place more emphasis on outcome-based metrics such as degree completion and course completion, as opposed to simply the number of students enrolled. In the State of Ohio's fiscal year 2016 budget, CSU is expecting an allocation of $74.9 million in State Share of Instruction (SSI) funding, compared to the $71.0 million received in fiscal year 2015. This increase is partially due to the state legislature appropriating more funding in the FY 2015-FY 2016 biennial budget for higher education, which is then allocated by way of the The Ohio Department of Higher Education's funding model. The SSI is the major state funding source for state colleges and universities. Revenue from student instructional fee tuition is budgeted at $149.3 million in fiscal year 2016, compared to fiscal year 2015's result of $155.4 million. The University enacted no increase in undergraduate, graduate and law tuition in fiscal year 2016, effective with the Fall 2015 semester. The University has continued its plan for qualifying undergraduate students to recoup the 2015 2% increase in tuition by showing progress toward a degree while remaining in academic good standing. The program, known as the Graduation Incentive Plan, commenced in Fall 2013, but did not require funding by the University until fiscal year 2015 (Fall 2014). Preliminary Fall 2015 credit hour enrollment is approximately 3.92% higher than the budget plan, leading to greater than planned tuition revenue. Although there is likely to be the normal Fall-to-Spring semester attrition in enrollment, Spring 2016 tuition revenue is expected to match the budget plan. In the FY 2016 budget, the University planned for a decline in enrollment due to the conversion of undergraduate classes from a dominant 4-credit-hour model to a 3-credit-hour model, which was initiated in FY 2015. The actual enrollment for Fall 2015 was stronger than budget and the University expects to exceed budgeted tuition revenue. As in prior years, the ability of the University to fulfill its mission and execute its strategic plan continues to be dependent upon student enrollment and tuition revenue. This will be more challenging in the near future, as the State of Ohio has frozen undergraduate tuition levels for FY 2016 and FY 2017 at FY 2015 levels.

The University appointed a Strategic Enrollment Task Force that has produced a detailed strategy to increase enrollment through enhanced regional and international recruitment tactics.

Student retention remains a high priority for the University, and progress has been made. The latest Fall to Fall retention rate is 70.7%, up from 69.7% in the prior year. Tactics include an automated early warning system, invasive advising of freshman and better use of Residence Life to track students' academic performance.

The University is also affected by decisions at the state level regarding capital funding through the biennial capital appropriations bill. The funds pay for campus renovation and maintenance of existing facilities. On September 27, 2013, it was announced that the State intended to fund a capital appropriations bill for the FY15-FY16 cycle, whereby state universities can expect to share in a $400+ million appropriation. Cleveland State has received an allocation of $14.6 million. The capital funding is being used for the University's renovation of its Main Classroom Building, the creation of engaged learning laboratories in the STEM disciplines, and the development of a Center for Research and Innovation.

During the Summer of 2012, the University issued Series 2012 General Receipts Bonds in the amount of $152 million. Included in this issuance was $45 million of funding for a planned new facility on campus to advance the University's growing role in health sciences and expand its alliance with Northeast Ohio Medical University (NEOMED). The University demolished a vacant dormitory and replaced it with a health and life sciences building, the Center for Innovation in Medical Professions. In June 2014 the Cleveland State Board of Trustees authorized an additional $2.75 million in the project's budget, to be funded by University reserves funds, if needed. Construction began in November 2013 and was completed in June 2015. The total project cost came in under budget at $46.5 million.

In August 2015, the University created an Office of Performance Management and initiated its "Path to 2020" program. The program is the University's proactive response to the challenging environment being faced by publicly-funded higher education institutions both in Ohio and nationally. It is also an opportunity for leveraging our strengths and improving our processes to thrive in the ensuing years. It will assess the University's operations and practices in the areas of strategic enrollment management and revenue, expense management and budgeting, financial aid deployment, academic programming, and campus master planning strategies. By beginning these efforts in 2015, the University will be well-positioned to respond appropriately and proactively in the Spring 2016 to the recommendations of the Governor's Task Force Report on College Affordability and Efficiency.

The University continues to face significant cost pressures in the future. The University has taken measures to address ongoing operating cost challenges, such as attracting and retaining high quality faculty and staff; increased costs of employee benefits; and energy costs. During the year, the University completed contract negotiations with its largest bargaining unit, the American Association of University Professors (AAUP), as well as, negotiations with two other major bargaining units – Service Employees International Union (SEIU), and the Communications Workers of America (CWA) were completed during the year. The new contracts include wage increases from 2% to 2.5% over the next three years, and include a merit component. New health care benefits contracts were negotiated in the year, which resulted in a 5.9% increase in fees to the claims administrator and stop loss coverage provider, and a 9/4% decrease in dental.

The University is in the practice of monitoring its student enrollment, other revenue sources, fee structure, and operating expenditures of its units on a monthly basis. While predictions of a downturn in the number of traditional high school graduates applying to universities are beginning to actualize, CSU's undergraduate enrollment for the near term is stable. The continual monitoring of the University's operations is meant to provide the administration with early signals and trends should changes in our operating and financial plans become necessary.

Cleveland State University
Statement of Net Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 24,982,959	$ 10,253,742
Investments (Note 2)	91,487,279	94,877,711
Accounts Receivable, Net (Note 3)	27,628,051	39,067,355
Notes Receivable, Net (Note 3)	1,647,123	1,594,607
Accrued Interest Receivable	10,216	25,712
Prepaid Expenses and Inventories	1,488,806	1,287,958
Total Current Assets	147,244,434	147,107,085
Noncurrent Assets:		
Restricted Investments (Note 2)	29,312,125	65,181,283
Long-Term and Endowment Investments (Note 2)	18,496,065	18,534,600
Notes Receivable, Net (Note 3)	12,025,163	11,043,879
Capital Assets, Net (Note 5)	500,895,050	473,007,276
Total Noncurrent Assets	560,728,403	567,767,038
Total Assets	707,972,837	714,874,123
DEFERRED OUTFLOWS		
Deferred Outflow - Pension Contributions (Note 7)	11,245,321	-
Deferred Outflow - Pension Net Plan Amount (Note 7)	244,540	-
Total Deferred Outflows	11,489,861	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	5,841,618	6,209,494
Construction Accounts Payable	6,547,026	2,979,340
Accrued Liabilities	10,876,269	11,476,567
Accrued Interest Payable	1,240,134	1,337,357
Unearned Revenue	8,348,546	9,640,938
Compensated Absences - Current Portion (Note 6)	1,009,911	977,258
Obligations Under Capital Leases - Current Portion (Note 6)	7,122,002	7,395,409
Long-Term Debt - Current Portion (Note 6)	6,721,937	6,476,938
Total Current Liabilities	47,707,443	46,493,301
Noncurrent Liabilities:		
Accrued Liabilities (Note 6)	10,513,273	13,312,182
Compensated Absences (Note 6)	8,152,302	8,051,187
Net Pension Liability	169,700,455	-
Obligations Under Capital Leases (Note 6)	47,715,458	55,245,066
Long-Term Debt (Note 6)	192,377,642	199,104,579
Total Noncurrent Liabilities	428,459,130	275,713,014
Total Liabilities	476,166,573	322,206,315
DEFERRED INFLOW		
Deferred Inflow - Pension Net Plan Amount (Note 7)	19,860,358	-
NET POSITION		
Net investment in Capital Assets	292,943,213	254,046,991
Restricted, Expendable	35,778,797	26,577,260
Restricted, Nonexpendable	1,469,961	1,496,842
Unrestricted (deficit)	(106,756,204)	110,546,715
Total Net Position	$ 223,435,767	$ 392,667,808

The accompanying notes are an integral part of the financial statements.

Cleveland State University
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Operating Revenues:		
Student Tuition and Fees	$ 180,787,378	$ 182,056,611
Less Scholarship Allowances	25,413,811	22,267,243
Net Student Tuition and Fees	155,373,567	159,789,368
Federal Grants and Contracts	7,533,873	8,770,261
State Grants and Contracts	2,721,558	11,577,824
Local Grants and Contracts	442,622	822,171
Private Grants and Contracts	3,194,953	4,250,446
Sales and Services	6,267,613	7,069,797
Auxiliary Enterprises	22,780,060	23,450,596
Other	1,006,633	1,171,455
Total Operating Revenues	199,320,879	216,901,918
Expenses		
Operating Expenses:		
Instruction	100,959,714	99,014,244
Research	7,707,904	16,635,509
Public Service	6,110,528	8,193,344
Academic Support	26,229,750	25,135,935
Student Services	19,174,987	19,692,624
Institutional Support	28,889,582	30,924,222
Operation and Maintenance of Plant	27,868,495	28,700,394
Scholarships and Fellowships	15,941,248	14,381,902
Auxiliary Enterprises	32,884,041	32,448,832
Depreciation and Amortization	26,666,434	26,657,857
Total Operating Expenses	292,432,683	301,784,863
Operating Loss	(93,111,804)	(84,882,945)
Nonoperating Revenues (Expenses)		
State Appropriations	71,018,135	68,079,520
Federal Grants and Contracts	21,679,494	22,422,637
State Grants and Contracts	3,937,636	1,413,312
Gifts	15,071,455	13,841,028
Investment Income	545,519	11,850,709
Interest on Debt	(7,909,704)	(7,971,449)
Net Nonoperating Revenues	104,342,535	109,635,757
Gain Before Other Changes	11,230,731	24,752,812
Other Changes		
State Capital Appropriations	59,621	237,013
Increase in Net Position	11,290,352	24,989,825
Net Position		
Net Position at Beginning of Year	392,667,808	367,677,983
Adjustment for Change in Accounting Principle (Note 1)	(180,522,393)	
Net Position at Beginning of Year - as restated	212,145,415	-
Net Position at End of Year	$ 223,435,767	$ 392,667,808

The accompanying notes are an integral part of the financial statements.

Cleveland State University
Statement of Cash Flows

	Years Ended June 30	
	2015	**2014**
Cash Flows from Operating Activities		
Tuition and Fees	$ 154,827,386	$ 158,731,922
Grants and Contracts	23,464,951	16,878,399
Payments to or On Behalf of Employees	(182,519,173)	(169,436,612)
Payments to Vendors	(85,855,072)	(107,806,381)
Loans Issued to Students	(3,287,664)	(2,936,539)
Collection of Loans to Students	2,706,020	2,443,123
Auxiliary Enterprises Charges	23,946,351	24,144,764
Other Receipts	7,274,247	8,241,253
Net Cash Used by Operating Activities	(59,442,954)	(69,740,071)
Cash Flows from Noncapital Financing Activities		
State Appropriations	71,018,135	68,079,520
Grants and Contracts	25,617,130	23,835,949
Gifts	15,071,455	13,841,028
Cash Provided by Stafford and PLUS Loans	106,521,303	119,024,080
Cash Used by Stafford and PLUS Loans	(106,534,000)	(119,000,000)
Cash Provided by Agency Fund Activities	(307,344)	(294,865)
Cash Used by Agency Fund Activities	197,902	445,325
Net Cash Provided by Noncapital Financing Activities	111,584,581	105,931,037
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	364,147	6,916,478
Capital Appropriations	59,621	237,013
Purchases of Capital Assets	(54,587,135)	(29,094,187)
Principal Paid on Capital Debt and Leases	(14,649,100)	(13,309,022)
Interest Paid on Capital Debt and Leases	(11,469,822)	(8,060,360)
Net Cash Used by Capital Financing Activities	(80,282,289)	(43,310,078)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	233,963,851	1,526,103
Purchase of Investments	(194,665,726)	(23,812,218)
Interest on Investments	3,571,754	11,417,788
Net Cash Provided (Used) by Investing Activities	42,869,879	(10,868,327)
Net Increase (Decrease) in Cash	14,729,217	(17,987,439)
Cash and Cash Equivalents at Beginning of Year	10,253,742	28,241,181
Cash and Cash Equivalents at End of Year	$ 24,982,959	$ 10,253,742

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2015	**2014**
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating Loss	$ (93,111,804)	$ (84,882,945)
Adjustments:		
Depreciation and Amortization	26,666,434	26,657,857
Changes in Assets and Liabilities:		
Accounts Receivable, Net	11,472,231	(8,826,759)
Notes Receivable, Net	(581,644)	(493,416)
Inventories	(14,568)	(243,215)
Prepaid Expenses	(186,280)	103,881
Accounts Payable	3,212,026	(2,989,344)
Accrued Liabilities	(3,155,516)	739,070
Net Pension Liability	(2,451,441)	0
Unearned Revenue	(1,292,392)	194,800
Cash Used by Operating Activities	$ (59,442,954)	$ (69,740,071)

The accompanying notes are an integral part of the financial statements.

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,312,441	$ 857,905
Accounts receivable	369,977	428,496
Contributions receivable, net of allowance for uncollectible contributions	5,493,116	6,439,771
Total Current Assets	9,175,534	7,726,172
Other assets:		
Contributions receivable, net of allowance for uncollectible accounts	8,046,916	9,150,662
Long-term investments	71,549,838	71,901,510
Funds held on behalf of others:		
Cleveland State University	14,041,595	8,383,471
Cleveland State University Alumni Association	484,021	471,713
Total Other assets	94,122,370	89,907,356
Total Assets	$ 103,297,904	$ 97,633,528
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 47,501	$ 52,208
Payable to Cleveland State University	2,338,741	2,580,949
Notes Payable	-	39,996
Annuities payable	37,839	39,146
Total Current Liabilities	2,424,081	2,712,299
Noncurrent Liabilities:		
Notes Payable	-	564,755
Annuities payable	107,070	122,785
Funds held on behalf of others:		
Cleveland State University	14,041,595	8,383,471
Cleveland State University Alumni Association	484,021	471,713
Total Liabilities	17,056,767	12,255,023
NET ASSETS:		
Unrestricted	(1,284,978)	(1,382,850)
Board designated - Scholarships	191,647	203,878
Total unrestricted	(1,093,331)	(1,178,972)
Temporarily restricted	35,123,216	36,080,894
Permanently restricted	52,211,252	50,476,583
Total Net Assets	86,241,137	85,378,505
Total Liabilities and Net Assets	$ 103,297,904	$ 97,633,528

The accompanying notes are an integral part of the financial statements.

Euclid Avenue Development Corporation
Statement of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 951,546	$ 1,186,922
Cash held by the University	105,060	81,069
Total Cash	1,056,606	1,267,991
Student accounts receivable, net	18,790	31,027
Other receivables	121,869	40,953
Current portion of leases receivable	-	520,000
Investments	18,715,763	830,006
Investments restricted for repayment of defeased debt	30,093,137	-
Prepaid expenses	79,739	96,819
Total Current Assets	50,085,904	2,786,796
Property and equipment		
Land	-	1,146,460
Building	69,960,179	70,448,479
Building improvements	722,463	334,891
Furniture, fixtures, and equipment	3,090,543	3,157,020
Construction in progress	-	7,515
	73,773,185	75,094,365
Less: accumulated depreciation	(13,338,530)	(11,373,706)
Property and equipment, net	60,434,655	63,720,659
Other assets:		
Restricted investments	3,766,436	22,046,456
Leases receivable, net of current portion	19,605,000	20,340,000
interest rate cap	-	2,290
Deferred bond isssuance costs, net of accumulated amortization of $31,280 and $838,322 at June 30, 2015 and 2014, respectively	1,112,293	2,733,261
Total other assets	24,483,729	45,122,007
Total assets	$ 135,004,288	$ 111,629,462
LIABILITIES		
Current Liabilities:		
Defeased bonds payable	$ 29,410,000	$ -
Current portion of bonds payable	1,455,000	1,655,000
Current portion of notes payable	-	60,000
Accounts payable	273,512	537,403
Accrued interest	2,409,354	725,652
Accrued other	47,372	37,669
Deferred revenue	155,330	161,901
Security deposits	147,033	159,438
Total Current Liabilities	33,897,601	3,337,063
Noncurrent Liabilities:		
Deferred revenue	1,201,237	1,238,773
Bonds payable, net of accumulated amortization of bond premium of $212,086 and $-0- at June 30, 2015 and 2014, respectively	96,325,542	101,000,000
Notes payable, less current portion	-	1,441,180
Total Noncurrent liabilities, net of current portion	97,526,779	103,679,953
Total Liabilities	131,424,380	107,017,016
NET ASSETS		
Unrestricted	3,579,908	4,612,446
Total Liabilities and Net Assets	$ 135,004,288	$ 111,629,462

The accompanying notes are an integral part of the financial statements.

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Revenues					
Contributions	$ 191,416	$ 14,290,827	$ 1,283,039	$ 15,765,282	$ 18,557,315
Management fees related to funds held on behalf of others	33,429		-	33,429	30,412
Endowment management fee	587,259	(587,259)	-	-	-
Net assets released from restrictions:	16,293,545	(16,293,545)	-	-	-
Total revenues	17,105,649	(2,589,977)	1,283,039	15,798,711	18,587,727
Expenses					
Program services:					
Instructions	1,777,864	-	-	1,777,864	3,107,794
Research	294,503	-	-	294,503	189,833
Public service	1,269,256	-	-	1,269,256	1,014,488
Academic support	462,638	-	-	462,638	284,336
Financial aid	5,072,487	-	-	5,072,487	3,020,560
Institutional support	641,630	-	-	641,630	293,616
Auxilary enterprises	7,485,660	-	-	7,485,660	6,349,764
Total program services	17,004,038	-	-	17,004,038	14,260,391
Supporting services:					
Management and general	616,020	-	-	616,020	696,007
Fund raising	133,199	-	-	133,199	143,198
Total supporting services	749,219	-	-	749,219	839,205
Total expenses	17,753,257	-	-	17,753,257	15,099,596
Gains/(Losses):					
Investment gain (loss), including realized and unrealized losses, net	738,576	1,881,197	-	2,619,773	10,392,929
Provision for uncollectible contributions	(5,327)	(217,460)	420,192	197,405	(359,857)
Total gains (losses)	733,249	1,663,737	420,192	2,817,178	10,033,072
Change in Net Assets before transfers	85,641	(926,240)	1,703,231	862,632	13,521,203
Tranfers	-	(31,438)	31,438	-	-
Change in Net Assets after transfers	85,641	(957,678)	1,734,669	862,632	13,521,203
Net Assets - Beginning of Year	(1,178,972)	36,080,894	50,476,586	85,378,505	71,857,302
Net Assets - End of Year	$ (1,093,331)	$ 35,123,216	$ 52,211,255	$ 86,241,137	$ 85,378,505

The accompanying notes are an integral part of the financial statements.

Euclid Avenue Development Corporation
Statement of Activities
Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Rental Income:		
Students	$ 7,887,134	$ 8,493,599
University	1,379,432	944,468
Other	135,199	100,000
Maintenance fee - University	226,127	252,964
Investment income, net	89,156	139,605
Gain on sale of property and equipment (Heritage Suites)	1,510,609	-
Other	1,025,163	484,667
Total revenues	12,252,820	10,415,303
Expenses		
Interest	4,079,373	2,152,209
Depreciation and Amortization	4,899,344	2,193,356
Utilities	945,174	991,093
Contract personnel	1,412,916	1,429,553
Management fees	324,492	328,239
Maintenance	447,316	453,042
General and administrative	235,746	150,323
Other operating	124,531	92,596
Marketing	37,371	35,819
Accounting	18,894	18,221
Reserve allowance	4,620	14,747
Insurance	8,291	8,789
Write-down of leases receivable (Note 7)	745,000	-
Change in value of interest rate cap	2,290	37,146
Total expenses	13,285,358	7,905,133
Change in Net Assets	(1,032,538)	2,510,170
Net Assets - Beginning of Year	4,612,446	2,102,276
Net Assets - End of Year	$ 3,579,908	$ 4,612,446

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Cleveland State University (the "University") was established by the General Assembly of the State of Ohio (the "State") in 1964 by statutory act under Chapter 3344 of the Ohio Revised Code. As such, the University is a component unit of the State. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the University's financial statements are included, as a discretely presented component unit, in the State's Comprehensive Annual Financial Report.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted, Expendable:** Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific University needs.

- **Restricted, Nonexpendable:** Net position subject to externally imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific University needs.

- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business-Type Activity, as defined by GASB Statement No. 35. Business-Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Operating Activities

The University's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. The University also classifies as operating revenue grants classified as exchange transactions and auxiliary activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, including State appropriations and investment income. Operating expenses include educational resources, administrative expenses and depreciation on capital assets. Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The principal operating revenue is student tuition and fees. Student tuition and fees revenue are presented net of scholarships and fellowships applied to student accounts.

Summary of Significant Accounting Policies

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments. Investments are recorded at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University classifies all investments that mature in less than one year as current investments.

Endowment investments are subject to the restrictions of gift instruments, requiring principal to be maintained in perpetuity with only the income from the investments available for expenditure. The University may set aside other assets for the same purposes as endowment investments (quasi-endowment); the University may expend the principal of quasi-endowment at any time.

Accounts Receivable Allowance. The allowance for bad debt is determined based on historical average and a reasonableness ratio of accounts receivable to bad debt. The objective is to increase the collectibility of current receivables to assist the University's objectives regarding enrollment and retention. As such, the University enforces policies that prohibit registration with an unpaid balance over $1,000 and limit registration for those students with a current unpaid balance between $200 - $1,000. The federal regulations regarding returns of funding under the Federal student aid programs of Title IV of the Higher Education Amendments of 1992 have continued to have an impact on outstanding accounts receivable.

Inventories. Inventories are reported at cost. Cost is determined on the average cost basis.

Capital Assets. Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing $5,000 or more and buildings and improvements costing $100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research and public service.

Compensated Absences. Classified employees earn vacation at rates specified under State law. Full-time administrators and twelve-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave up to a maximum of 240 hours.

The University has an accrued liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

Unearned Revenue. Unearned revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Summer term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as unearned revenue and prepaid expense in the statement of net position and will be recognized in the following fiscal year.

Perkins Loan Program. Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collection. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying statement of net position.

Classification of Revenue. Revenue is classified as either operating or nonoperating.

Operating revenue includes revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises, and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.

Non-operating revenue includes revenue from activities that have the characteristics of nonexchange transactions, such as state appropriations, and certain federal, state, local and private gifts, and grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Auxiliary Enterprises. Auxiliary enterprise revenue primarily represents revenue generated by parking, Wolstein Center, food service, bookstore, recreation center, and intercollegiate athletics.

Scholarship Allowances and Student Aid. Financial aid to students is reported in the statement of revenue, expenses, and changes in net position under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenue. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, to the ratio of aid not considered to be third-party aid to total aid.

Component Units. The Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Development Corporation (the Corporation) are private nonprofit organizations that report under FASB standards, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the Corporation's financial information included in the University's financial report for these differences.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Bond Issuance Costs. Bond issuance costs are expensed as incurred.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio) Pension Plan (STRS/OPERS) and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources. In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The University deferred outflows of resources related to the net pension liability, see Note 7 for more.

Deferred Inflows of Resources. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University deferred inflows of resources related to the net pension liability, see Note 7 for more.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Change in Accounting Principle

The GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the University recorded $180,522,393 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Upcoming Accounting Pronouncements

In February 2015, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The University is currently evaluating the impact this standard will have on the financial statements when adopted, for the year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the STRS postemployment benefits and OPERS postretirement health care plans. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of University cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Under State law, financial institutions must collateralize all public deposits. The value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institution.

At June 30, 2015, the cash and cash equivalents balance of $24,982,959 is after the University recorded an overdraft consisting of items in transit of $3,121,338 in accounts payable. The bank balance at June 30, 2015 was $25,825,126, of which $2,064,595 was covered by federal depository insurance, and $23,760,531 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2014, the cash and cash equivalents balance of $10,253,742 is after the University recorded an overdraft consisting of items in transit of $2,216,408 in accounts payable. The bank balance at June 30, 2014 was $9,046,064, of which $2,083,673 was covered by federal depository insurance, and $6,962,391 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

In accordance with the Board of Trustees' resolution, the types of investments that may be purchased by the University include United States Treasury securities, federal government agency securities, certificates of deposit, bank repurchase agreements, commercial paper, bonds and other obligations of the State of Ohio or any of its political subdivisions, the State Treasurer's Asset Reserve (STAR Ohio), bankers' acceptances, money market funds, common stocks, and corporate bonds. The endowment investments are managed by the Foundation, which can also invest in real estate and alternative investments.

STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2015 and 2014.

Restricted investments consist of unspent debt proceeds.

As of June 30, 2015, the University had the following types of investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
US Agencies	$ 1,844,209	$ 1,844,209	$ 0
Commercial Paper	19,532,585	19,532,585	-
U.S. obligation mutual fund	42,098,508	42,098,508	-
Certificates of Deposit	9,533,000	9,533,000	-
STAR Ohio	1,284,633	-	-
Bond mutual funds	30,888,601	-	30,888,601
Stock mutual funds	34,113,933	-	-
Total	$ 139,295,469	$ 73,008,302	$ 30,888,601

As of June 30, 2014, the University had the following types of investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
US Agencies	$ 17,406,431	$ 15,542,621	$ 1,863,810
Commercial Paper	44,774,580	44,774,580	-
U.S. obligation mutual fund	37,897,530	37,897,530	-
Certificates of Deposit	19,140,000	19,140,000	-
STAR Ohio	10,056	-	-
Bond mutual funds	25,105,344	-	25,105,344
Stock mutual funds	34,259,653	-	-
Total	$ 178,593,594	$ 117,354,731	$ 26,969,154

Some of the U.S. agency securities are callable at various dates. The University believes that no securities will be called.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. While the University’s bond mutual fund investment itself is not rated, the credit quality of the fund’s holdings is AA or better, as rated by Standard & Poor’s and Moody’s.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. The University does not have a policy for custodial credit risk. At June 30, 2015 and 2014, none of the investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the University's name.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2015 and 2014, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2015 and 2014, investments include approximately $17.8 million and $17.1 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Student accounts	$ 14,276,242	$ 16,806,123
Grants	13,992,649	23,564,594
State Capital	369,438	336,511
Other	1,547,369	2,922,297
Total Accounts Receivable	30,185,698	43,629,525
Less allowance for uncollectible accounts	2,557,647	4,562,170
Accounts Receivable - Net	$ 27,628,051	$ 39,067,355

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Perkins Loan Program	$ 13,930,232	$ 12,900,957
Other	634,861	623,452
Total Notes Receivable	14,565,093	13,524,409
Less allowance for uncollectible accounts	892,807	885,923
Notes Receivable - Net	13,672,286	12,638,486
Less Current Portion	1,647,123	1,594,607
Total Noncurrent Notes Receivable	$ 12,025,163	$ 11,043,879

NOTE 4 – STATE SUPPORT

The University is a State-assisted institution of higher education, which receives a student-based subsidy from the State. This subsidy is determined annually, based upon a formula devised by The Ohio Department of Higher Education.

In addition, the State provides the funding and constructs major plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by The Ohio Department of Higher Education. Upon completion, The Ohio Department of Higher Education turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. The OPFC revenue bonds are currently being funded through appropriations to the The Ohio Department of Higher Education by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in State-assisted institutions of higher education throughout the State.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2015 and 2014 is summarized as follows:

	2015 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2015 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 56,435,024	$ 208,924	$ 0	$ 56,643,948
Construction in Progress	21,440,541	46,090,003	0	67,530,544
Capitalized Collections	7,102,155	0	0	7,102,155
Depreciable:				
Land Improvements	24,279,616	0	260,000	24,019,616
Buildings	633,842,604	0	485,000	633,357,604
Equipment	53,742,399	9,902,792	6,796,229	56,848,962
Library Books	71,293,362	1,603,819	1,433,960	71,463,221
Intangible Assets	483,059	0	0	483,059
Total Capital Assets	868,618,760	57,805,538	8,975,189	917,449,109
Less Accumulated Depreciation:				
Land Improvements	15,283,602	1,008,073	0	16,291,675
Buildings	284,887,121	17,680,962	0	302,568,083
Equipment	32,671,172	4,103,399	3,674,790	33,099,781
Library Books	62,455,601	3,210,585	1,433,960	64,232,226
Intangible Assets	313,989	48,305	0	362,294
Total Accumulated Depreciation	395,611,485	26,051,324	5,108,750	416,554,059
Capital Assets, Net	$ 473,007,275	$ 31,754,214	$ 3,866,438	$ 500,895,050

	2014 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2014 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 55,817,124	$ 617,900	$ -	$ 56,435,024
Construction in Progress	7,998,492	18,777,470	5,335,421	21,440,541
Capitalized Collections	7,102,155	-	-	7,102,155
Depreciable:				
Land Improvements	24,279,616	-	-	24,279,616
Buildings	631,074,801	6,102,803	3,335,000	633,842,604
Equipment	45,172,425	9,355,983	786,009	53,742,399
Library Books	70,805,713	1,673,474	1,185,825	71,293,362
Intangible Assets	483,059	-	-	483,059
Total Capital Assets	842,733,385	36,527,630	10,642,255	868,618,759
Less Accumulated Depreciation:				
Land Improvements	14,231,674	1,051,927	-	15,283,602
Buildings	267,765,929	17,506,046	384,853	284,887,121
Equipment	29,210,475	4,246,707	786,009	32,671,172
Library Books	60,451,665	3,189,761	1,185,826	62,455,600
Intangible Assets	265,683	48,306	-	313,989
Total Accumulated Depreciation	371,925,426	26,042,746	2,356,688	395,611,484
Capital Assets, Net	$ 470,807,959	$ 10,484,884	$ 8,285,567	$ 473,007,276

NOTE 6 – NONCURRENT LIABILITIES EXCLUDING NET PENSION LIABILITY

Noncurrent liabilities excluding net pension liability consist of the following as of June 30, 2015 and June 30, 2014:

	Due Dates	Interest Rate-%	2015 Beginning Balance	Additions	Reductions	2015 Ending Balance	Current
2007A Bonds Payable	2010-36	4.00-5.75	37,825,000	-	990,000	36,835,000	1,045,000
2007A Bond Premium			1,015,917	-	44,492	971,425	44,492
2011 Bonds Payable	2013-42	5.32	5,690,000	-	125,000	5,565,000	120,000
2012 Bonds Payable	2013-37	5.00	146,780,000	-	4,695,000	142,085,000	4,885,000
2012 Bond Premium			14,270,600	-	627,447	13,643,153	627,445
Capital Leases	2010-41	2.33-5.08	62,640,475	364,147	8,167,161	54,837,461	7,122,002
Total Debt			268,221,992	364,147	14,649,100	253,937,039	13,843,939
Perkins Student Loans			12,126,040		2,701,683	9,424,357	-
Deposits			1,186,142	3,622,391	3,719,617	1,088,916	-
Compensated Absences			9,028,445	133,768	-	9,162,213	1,009,911
			290,562,619	$ 4,120,306	$ 21,070,400	273,612,525	$ 14,853,850
Less Current Portion long-term liabilities			(14,849,605)			(14,853,850)	
Long-Term Liabilities			$ 275,713,014			$ 258,758,675	

	Due Dates	Interest Rate-%	2014 Beginning Balance	Additions	Reductions	2014 Ending Balance	Current
2004 Bonds Payable	2014	2.25-5.25	$ 1,860,000	$ -	$ 1,860,000	$ -	$
2007A Bonds Payable	2010-36	4.00-5.75	38,760,000	-	935,000	37,825,000	990,000
2007A Bond Premium			1,060,410	-	44,493	1,015,917	44,493
2011 Bonds Payable	2013-42	5.32	5,775,000	-	85,000	5,690,000	120,000
2012 Bonds Payable	2013-37	5.00	149,540,000	-	2,760,000	146,780,000	4,695,000
2012 Bond Premium			14,898,045	-	627,445	14,270,600	627,445
Capital Leases	2010-41	2.33-5.08	62,721,081	6,916,478	6,997,084	62,640,475	7,395,409
Total Debt			274,614,536	6,916,478	13,309,022	268,221,992	13,872,347
Perkins Student Loans			11,799,101	326,939		12,126,040	-
Deposits			1,309,304	3,754,448	3,877,610	1,186,142	-
Compensated Absences			8,621,039	407,406	-	9,028,445	977,258
			296,343,980	$ 11,405,271	$ 17,186,632	290,562,619	$ 14,849,605
Less Current Portion long-term liabilities			(13,844,966)			(14,849,605)	
Long-Term Liabilities			$ 282,499,014			$ 275,713,014	

On August 21, 2012, the University issued general receipts bonds in the principal amount of $152,835,000. The General Receipts Series 2012 Bonds were issued as fixed rate bonds with monthly maturities beginning June 1, 2013 through June 1, 2037. Interest is payable monthly at the rate of 5.0%. The proceeds of the bonds were used to (1) pay costs of constructing a new building on the University's campus, rehabilitation of existing buildings, campus-wide upgrades of electrical, mechanical and security systems and improvements to campus walkways; (2) refund portions of the Outstanding Series 2003A Bonds, Series 2004 Bonds and Series 2008 Bonds; and (3) pay costs relating to the issuance of the Series 2012 Bonds.

In September 2011, the University issued taxable general receipts bonds in the principal amount of $5,775,000. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the rate of 5.32%. The proceeds of the bonds were used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood – Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer.

In May 2008, the University issued general receipts bonds in the amount of $20,910,000. The General Receipts Series 2008 Bonds were issued as fixed rate bonds maturing in 2013, 2033 and 2036. The proceeds of the bonds were used to refinance the 2003B and 2007B Bonds. The bonds have various call provisions. This bond was called and refinanced in August 2012, using the proceeds of the General Receipts Series 2012 Bonds.

During the year ended June 30, 2007, the University issued Series 2007A general receipts bonds. The Series 2007A general receipts bonds were issued for $42,110,000, bear interest rates between 4% and 5.75%, and mature in 2036. Proceeds were used to fund the construction of a new Student Center.

In August 2004, the University issued general receipts bonds in the amount of $62,000,000. The General Receipts Series 2004 Bonds were issued as fixed rate bonds with serial maturities through 2008 and term bonds maturing in 2014, 2019, 2024, 2029, and 2034. The proceeds of the bonds were used to pay the cost of a variety of projects, including construction of a student center, parking facilities and a bookstore, renovations to a portion of Fenn Tower, and landscaping and other permanent site improvements to the main plaza. This bond was called and refinanced in August 2012, using the proceeds of the General Receipts Series 2012 Bonds.

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds. The Series 2003A general receipts bonds were issued for $35,745,000, bear interest rates between 2.5% and 5.25%, and mature in 2033. Proceeds were used to refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion and construct an Administrative Center. This bond was called and refinanced in August 2012, using the proceeds of the General Receipts Series 2012 Bonds.

Interest expense on indebtedness for the years ended June 30, 2015 and 2014 was $7,909,704 and $7,971,449, respectively. On construction-related debt, for the years ended June 30, 2015 and 2014, interest cost was capitalized in the amount of $2,790,957 (net of $96,834 interest income) and $2,887,227 (net of $191,910 interest income), respectively.

The University leases various pieces of equipment and parking garages which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value at June 30, 2015 and 2014 of $5,828,609 and $7,745,329, respectively. The capital leases have varying maturity dates through 2045.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Bonds Payable		**Capital Leases**	
	Principal	**Interest**	**Principal**	**Interest**
2016	$ 6,050,000	$ 8,995,655	$ 7,122,003	$ 2,353,411
2017	6,290,000	8,741,621	7,084,168	2,071,061
2018	6,545,000	8,477,487	7,310,886	1,787,563
2019	6,880,000	8,149,853	5,550,116	1,512,803
2020	6,485,000	7,805,469	5,486,427	1,276,601
2021-2025	37,350,000	33,986,793	2,678,861	4,961,390
2026-2030	47,645,000	23,849,520	-	4,901,250
2031-2035	52,830,000	10,905,145	-	4,901,250
2036-2040	13,750,000	1,221,386	-	4,901,250
2041-2045	660,000	33,649	19,605,000	2,548,625
	$ 184,485,000	$ 112,166,578	$ 54,837,461	$ 31,215,204

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2015 and 2014 amounted to $3,520,997 $3,747,760, respectively. The operating leases have varying maturity dates through 2042.

Future minimum operating lease payments as of June 30, 2015 are as follows:

Years Ending June 30		Operating Leases
2016	$	3,517,861
2017		3,334,216
2018		3,128,384
2019		47,541,517
2020		755,684
2021-2025		3,778,420
2026-2030		3,778,420
2031-2035		3,772,920
2036-2040		2,049,453
2041-2042		647,485
	$	72,304,360

NOTE 7 – EMPLOYMENT BENEFIT PLANS

Retirement Plans

Substantially all nonstudent University employees are covered by one of three retirement plans. The university faculty are covered by the State Teachers Retirement System of Ohio (STRS). Nonfaculty employees are covered by the Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan. STRS and OPERS each provide retirement, survivor, and disability benefits to plan members and their beneficiaries. The plans also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Defined Benefit Plans

The University participates in the State Teachers Retirement System (STRS) and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, ranging from three in STRS and three in OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, Ohio 43215
(888) 227-7877
www.strsoh.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, OH 43215
(800) 222-7377
www.opers.org

Contributions. State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually be actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC.

The plans' 2015 contribution rates on covered payroll to each system are:

	Pension	Post Retirement Healthcare	Death Benefits	Total
STRS	14.00%	0.00%	0.00%	14.00%
OPERS -State	12.00%	2.00%	0.00%	14.00%
OPERS - Law Enforcement and Public Safety	16.10%	2.00%	0.00%	18.10%

The plans' 2014 contribution rates on covered payroll to each system are:

	Pension	Post Retirement Healthcare	Death Benefits	Total
STRS	13.00%	1.00%	0.00%	14.00%
OPERS -State	12.00%	2.00%	0.00%	14.00%
OPERS - Law Enforcement and Public Safety	16.10%	2.00%	0.00%	18.10%

The University's required and actual contributions to the plan are:

	For the years ended 6/30	
	2015	2014
STRS	$ 7,359,961	$ 7,812,496
OPERS	7,760,107	7,622,811
	$ 15,120,068	$ 15,435,307

Benefits. *STRS* – Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to $2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

OPERS – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of $500 - $2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for Law Enforcement and Public Safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense. At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability of STRS and OPERS. The net pension liability was measured as of July 1, 2014 for the STRS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share		Percent
Plan	Date	2015	2014	2015	2014	Change
STRS	7/1	$ 121,356,821	$ 144,170,144	0.4989%	0.4989%	0.00%
PERS	12/31	$ 48,343,634	$ 47,402,814	0.4026%	0.4026%	0.00%

For the year ended June 30, 2015 and 2014, the University recognized pension expense of $15,120,068 and $15,435,307, respectively. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outfflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 244,540	-
Net difference between projected and actual investment earnings on plan investments	-	(19,847,501)
Changes in proportion and differences between University contributions and proportionate share of contributions	-	(12,857)
Changes of assumptions	-	-
University contributions subsequent to measurement date	11,245,321	-
Total	$11,489,861	$(19,860,358)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	(5,076,621)
2017	(5,076,621)
2018	(4,744,520)
2019	(4,677,797)
2020	(8,003)
Thereafer	(32,256)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2016).

Actuarial Assumptions. The total pension liability is based on the results of an actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS - as of 6/30/2014	OPERS - as of 12/31/2014
Valuation date	July 1, 2014	December 31, 2014
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended June 30, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent and 8.0 percent, for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	STRS			OPERS	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	5.50%	Fixed Income	23.00%	2.31%
International Equity	26.00%	5.35%	Domestic Equities	19.90%	5.84%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.25%	International Equity	19.10%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	100.00%		Total	100.00%	

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 percent decrease		Current discount rate		1.00 percent increase	
STRS	6.75%	$173,735,838	7.75%	$121,356,821	8.75%	$77,062,208
OPERS	7.00%	89,353,044	8.00%	48,343,634	9.00%	13,921,908
		$263,088,882		$169,700,455		$90,984,116

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/OPERS financial report

Payable to the Pension Plan. At June 30, 2015, the University reported a payable of $1,112,678 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Defined Contribution Plan

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2015 and 2014 were $605,591 and $546,676, respectively, which equal 3.5% of earned compensation.

STRS also offers a defined contribution plan in addition to its long-established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. OPERS also provides retirement, disability, survivor, and postretirement health care benefits to qualified members.

Postemployment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 0.0% of the total 14.00%, while the OPERS rate was 7.0% of the total 14.00% for the year ended June 30, 2015.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2015, 2014 and 2013 was $618,792, $558,035 and $502,561, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2015, 2014, and 2013 was $3,861,613, $3,811,411, and $3,507,032, respectively.

NOTE 8 – RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with 11 other State-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000. The next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a $150,000 specific stop loss for any given claim. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2015 and 2014 are summarized below:

	2015	2014
Liability at beginning of year	$ 2,246,462	$ 1,648,544
Claims Incurred	14,032,503	12,513,593
Claims Paid	(13,610,189)	(12,294,668)
IBNR-(Decrease) Increase in estimated claims	(269,898)	378,993
Liability at end of year	$ 2,398,878	$ 2,246,462

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the Statement of Revenue, Expenses, and Changes in Net Position.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers' compensation claims of participating State agencies and universities. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a significant effect on any of the financial statements of the University at June 30, 2015.

NOTE 10 – COMPONENT UNITS

The Foundation and the Corporation are legally separate not-for-profit entities organized for the purpose of providing support to the University. Both the Foundation and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 1836 Euclid Avenue, Union Building Room 501, Cleveland, OH 44115-2214.

During the years ended June 30, 2015 and 2014, the Foundation paid $17,004,038 and $8,230,552, respectively, to the University. At June 30, 2015 and 2014, the University had receivables from the Foundation totaling $2,338,741 and $2,580,949, respectively.

As authorized by the Board of Trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2015 and 2014, the amount on deposit with the Foundation totaled $3,267,143 and $3,386,082, respectively.

The Foundation had the following types of investments as of June 30:

	2015	
	Cost	Carrying Value
Cash and cash equivalents	$ 5,269,334	$ 5,269,334
Stocks-domestic	632,040	758,291
Mutual Funds - International	11,877,566	13,784,998
Mutual Funds - Domestic	19,304,936	27,549,022
Certificates of deposit	1,528,095	1,530,418
US Treasuries	3,288,806	3,297,645
Balance fund	5,121,632	5,070,118
Fixed income securities	16,424,987	16,134,937
Alternative Investments	10,025,000	12,680,691
Investments carried at fair value	$ 73,472,396	$ 86,075,454

	2014	
	Cost	Carrying Value
Cash and cash equivalents	$ 144,622	$ 144,622
Stocks-domestic	419,555	549,010
Mutual Funds - International	14,587,527	17,496,310
Mutual Funds - Domestic	41,228,454	50,007,015
Fixed income securities	1,809,750	1,809,310
Alternative Investments	6,594,825	8,316,422
Investments carried at fair value	$ 64,784,733	78,322,689
Note receivable		1,501,180
Investment in real estate, net of accumulated depreciation		932,825
Investments carried at adjusted cost		2,434,005
		$ 80,756,694

The temporarily and permanently restricted net assets of the Foundation are balances whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available, and permanently restricted net assets are held in perpetuity, for the following purposes:

	Temporarily Restricted	Permanently Restricted
Instruction and academic support	$ 6,583,159	$ 9,428,628
Research	1,444,041	238,226
Public service	5,288,013	127,609
Financial aid	18,766,067	40,419,782
Institutional support	1,692,108	1,151,050
Capital and other projects	1,349,828	845,957
	$ 35,123,216	$ 52,211,252

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. The Board of the Corporation is self-perpetuating and the University does not control the Corporation. Because the housing owned by the Corporation can only be used by, or for the benefit of, the University's students, faculty and staff, the Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

As of June 30, 2015 and 2014, the Corporation had the following types of investments:

	FY15	FY14
US Treasuries	$30,093,137	
Commerical paper	3,766,436	
Money Market Funds	1,805,426	$18,524,003
Certificates of Deposit		3,562,168
Exchange Traded Funds	4,309,869	184,770
Mutual Funds	12,600,468	605,521
	$52,575,336	$22,876,462

On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal years 2014 and 2013. On March 1, 2005, the Corporation entered into a Development Agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005, the Corporation issued $34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%. At June 30, 2015 these bonds were defeased and were redeemed on August 1, 2015.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued $14,500,000 of tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. The Series 2008 Bonds are serial bonds maturing between 2009 and 2040. They bear variable interest rates that reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 0.06% at June 30, 2014. Construction of the garage was completed in August 2009. During fiscal year ending June 30, 2015 these bonds were redeemed.

On December 18, 2009, the Corporation leased land, owned by the University and located on its campus, from the University. On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing. On December 18, 2009, the Corporation issued $59,005,000 of County of Cuyahoga, Ohio bonds (Series 2009 bonds) to finance the project. The 2009 bonds are serial bonds maturing between 2011 and 2042. They bear variable interest rates that are reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 0.06% at June 30, 2014. Both phases of the project were complete as of August 2011. During fiscal year ending June 30, 2015 these bonds were redeemed.

On December 9, 2014, the Corporation issued $88,945,000 of Cleveland-Cuyahoga County Port Authority Development Revenue Bonds (2014 bonds). A portion of the 2014 bonds mature August 1, 2015 with a fixed rate of interest of 1%. The remaining 2014 bonds mature at various dates from August 1, 2016 through August 1, 2044 with a fixed rate of interest of 5%. At the time of refunding, the Corporation chose to utilize funds held by the trustee to pay a portion of the outstanding principal on all existing bonds. The Corporation has elected not to seek recovery of such payment as it related to the Capital Lease Obligation from the University. As such, the Corporation has written down the Capital Lease Obligation with the University in the amount of $745,000.

Subsequent to year-end the Corporation made a ground lease payment out of available cash in the amount of $4,000,000.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2016	$ 1,455,000	$ 4,381,775
2017	1,500,000	4,337,000
2018	1,575,000	4,260,125
2019	1,660,000	4,179,250
2020	1,745,000	4,094,125
2021-2025	10,145,000	19,035,125
2026-2030	13,035,000	16,152,375
2031-2035	16,735,000	12,449,375
2036-2040	21,490,000	7,694,750
2041-2045	19,605,000	2,548,625
	$ 88,945,000	$ 79,132,525

Complete financial statements for the Corporation can be obtained from the Office of the Vice President for Business Affairs and Finance at 2121 Euclid Avenue, Administration Center Room 209, Cleveland, OH 44115-2214.

Cleveland State University
Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability

	2014	
	OPERS	STRS
Plan year end	December 31	June 30
University's proportion of the Universities' collective net pension liability: As a percentage	0.4026%	0.4989%
Amount	$ 48,402,809	$ 121,356,821
University's covered-employee payroll	$ 53,202,254	$ 44,789,568
University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	109.92%	36.91%
Fiduciary net position as a percentage of the total pension liability	86.53%	74.70%

Schedule of University's Contributions

	2015	
	OPERS	STRS
Statutorily required contribution	$ 7,760,107	$ 7,359,961
Contributions in relation to the actuarially determined contractually required contribution	$ 7,760,107	$ 7,359,961
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 54,452,664	$ 48,272,044
Contributions as a percentage of covered employee payroll	14.25%	15.25%

Federal Compliance Audit

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Cleveland State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Cleveland State University (the "University"), a component unit of the State of Ohio, and its discretely presented component units as of and for the year ended June 30, 2015 and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2015. Our report includes a reference to other auditors who audited the financial statements of the Cleveland State University Foundation, Inc. and Euclid Avenue Development Corporation, as described in our report on Cleveland State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cleveland State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
Cleveland State University

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 15, 2015

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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Cleveland State University

Report on Compliance for Each Major Federal Program

We have audited Cleveland State University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Cleveland State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cleveland State University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cleveland State University's compliance.

To the Board of Trustees
Cleveland State University

Opinion on Each Major Federal Program

In our opinion, Cleveland State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Cleveland State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cleveland State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Cleveland State University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Cleveland State University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

To the Board of Trustees
Cleveland State University

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 15, 2015

Cleveland State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Program title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Student Financial Aid Cluster			
Department of Education - Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	$ 347,992
Federal Work-Study Program	84.033	N/A	940,504
Federal Perkins Loan Program (issued and outstanding)	84.038	N/A	13,420,385
Federal Pell Grant Program	84.063	N/A	21,295,545
Federal Direct Student Loans	84.268	N/A	107,807,708
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	63,102
Total Department of Education			143,875,236
Department of Health and Human Services - Direct Programs:			
Nurse Faculty Loan Program (issued and outstanding)	93.264	N/A	190,506
Total Student Financial Aid Cluster			144,065,742
TRIO Cluster			
Department of Education - Direct Programs:			
TRIO Student Support Services	84.042	N/A	522,856
TRIO McNair Post-Baccalaureate Achievement	84.217	N/A	222,469
Total TRIO Cluster			745,325
Special Education Cluster (IDEA)			
Department of Education - Pass-through Programs:			
Ohio Department of Education - Special Education Cluster (IDEA) and Results for Children with Disabilities	84.027	62950/H027A090111A	226,016
Total Special Education Cluster			226,016
Highway Planning and Construction Cluster			
U.S. Department of Transportation:			
Pass-through Programs:			
Texas A&M Transportation	20.205	12-S141215	42,127
Ohio Department of Transportation - Highway Planning and Construction	20.205	25199	7,512
Ohio Department of Transportation - Highway Planning and Construction - Subcontractor	20.205	25199	27,243
Ohio Department of Transportation - Highway Planning and Construction	20.205	25969	7,426
Ohio Department of Transportation - Highway Planning and Construction	20.205	25951	225,436
Ohio Department of Transportation - Highway Planning and Construction	20.205	25999	95,889
Total Highway Planning and Construction Cluster			405,633
Medicaid Cluster			
Department of Health and Human Services - Pass-through Programs:			
Ohio State University - Medical Assistance Program	93.778	G-1415-07-0060	141,292
Total Medicaid Cluster			141,292

See Notes to Schedule of Expenditures of Federal Awards.

Cleveland State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Program title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster			
Department of Health and Human Services:			
Direct Programs:			
Cardiovascular Diseases Research	93.837	N/A	$ 210,856
Blood Diseases and Resources Research	93.839	N/A	110,224
Diabetes, Digestive, and Kidney Diseases	93.847	N/A	56,794
Allergy and Infectious Diseases Research	93.855	N/A	468,855
Biomedical Research and Research Training	93.859	N/A	16,512
Aging Research	93.866	N/A	305,791
Pass-through Programs:			
NEOMED - Research Related to Deafness and Communication Disorders	93.173	34504-A	26,241
Westat - Policy Research and Evaluation Grants	93.239	6046-S-001/HHSP23320095655	1,186
University of Pittsburg - Assessing the Validity of the Research Domain Criteria Constructs	93.242	0042306 (125262-1)	10,802
Rehabilitation Institute of Chicago - Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	R101EB011615	21,210
NEOMED - Minority Health and Health Disparities Research	93.307	0513-100334738601/RES507043	4,262
Case Western Reserve University - Minority Health and Health Disparities Research	93.307	RES507043/P60MD002265	101,287
Association of American Medical Colleges - Minority Health and Health Disparities Research	93.307	U24MD006960	148,249
NEOMED - Minority Health and Health Disparities Research	93.307	U24MD006960	7,875
National Institutes of Health - Cancer Treatment Research	93.395	R03CA159906-01A1	13,438
Case Western Reserve University - Cancer Treatment Research	93.395	RES508306/1R21CA169611	67,109
Cleveland Clinic Foundation - Cardiovascular Diseases	93.837	4436646/P01HL076491-06	50,183
Cleveland Clinic Foundation through Case Western Reserve University - Cardiovascular Diseases Research	93.837	117SUB/1P01HL098055	19,251
Case Western Reserve University - Cardiovascular Diseases Research	93.837	4624074/357R01HL103931	30,862
University of Delaware - Advancing Locomotion and Development in Young Children with down Syndrome	93.865	39000	31,149
Total Department of Health and Human Services			1,702,136
Department of Education:			
Direct Programs:			
Undergraduate International Studies and Foreign Language	84.016	N/A	11,643
Total Department of Education			11,643
National Aeronautics and Space Administration:			
Direct Programs:			
Science	43.001	N/A	447
Aeronautics	43.002	N/A	97,597
Space Operations	43.007	N/A	133,186
Pass-through Programs:			
Ohio Aerospace Institute - ANL - Science	43.001	3F-30581	25,000
Ohio Space Grant Consortium - Science	43.001	FY2014-2015	36,750
University of Arizona - Aeronautics	43.002	NNX10AV40G	23,506
Booz Allen Hamilton, Inc. - Aeronautics	43.002	GF-23F-0109L	14,492
University of Arizona - Aeronautics	43.002	PROJ768/NNC05CA63C	1,827
University of Arizona - Aeronautics	43.002	NNX08AN49G	706
Universities Space Research Corporation - Aeronautics	43.002	SUB04555-008/NNC13BA10B	279,054
Zin Technologies - Aeronautics	43.002	SpaceDoc 2014-006/NNC14CA02C	62,475
Total National Aeronautics and Space Administration			675,040

See Notes to Schedule of Expenditures of Federal Awards.

Federal Grantor/Program title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
National Endowment for the Humanities:			
Direct Programs:			
Promotion of the Humanities Office of Digital Humanities	45.169	N/A	$ 17,562
Pass-through Programs:			
Ohio Humanities Council/Cleveland Metro Park District - Promotion of the Humanities	45.129	SO-50496-12	6,382
Arizona State University - Promotion of the Humanitites	45.169	HD-51773-13/15-569	14,453
Total National Endowment for the Humanities			38,397
National Science Foundation:			
Direct Programs:			
Engineering Grants	47.041	N/A	22,765
Mathematical and Physical Sciences	47.049	N/A	37,443
Computer and Information Science and Engineering	47.070	N/A	566,777
Social, Behavioral, and Economic Sciences	47.075	N/A	8,262
Education and Human Resources	47.076	N/A	708,476
Education and Human Resources	47.076	N/A	30,879
ARRA - Trans-NSF Recovery Act Research Support	47.082	N/A	114,612
Pass-through Programs:			
Case Western Reserve - Engineering Grants	47.041	CBET-1066107	20,847
Ohio State University - Ohio LSAMP Alliance - Education and Human Resources	47.076	HRD-1304371/60042097-CSU	18,325
American Educational Research Association - Education and Human Resources	47.076	DRL-0941014	20,000
University of Illinois - Office of International and Integrative Activities	47.079	2011-01864/1103398	16,549
Total National Science Foundation			1,564,935
U.S. Department of Justice:			
Pass-through Programs:			
McEwen & Associates - National Institute of Justice Research, Evaluation, and Development Project Costs	16.560	6034630/SES1228406	30,687
Total U.S. Department of Justice			30,687
U.S. Department of Defense:			
Direct Programs:			
Army Medical Command Research and Development	12.420	N/A	78,217
Air Force Office of Scientific Research	12.800	N/A	83,111
Pass-through Programs:			
University of Tennessee - Basic, Applied, and Advanced Research in Science and Engineering	12.630	SERDP 14-15/A14-0350-S004	53,620
Total U.S. Department of Defense			214,948
U.S. Environmental Protection Agency:			
Pass-through Programs:			
Great Lakes Environmental Center - Environmental Finance Center Grar	66.203	AI-97546710	84,520
Total U.S. Environmental Protection Agency			84,520
Total Research and Development Cluster			4,322,306

Federal Grantor/Program title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs			
Department of Health and Human Services:			
Pass-through Programs:			
Substance Abuse and Mental Health Services Administration	93.243	34418-J	$ 14
Ohio Department of Job and Family Services - Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1011-06-0075	34,318
Ohio Department of Job and Family Services - Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-06-0340	57,206
Total Department of Health and Human Services			91,538
U.S. Department of Commerce - Direct Programs - Economic Development - Technical Assistance	11.303	N/A	130,946
Department of Housing and Urban Development - Pass-through Programs:			
German Marshall FD - Fellowship Placement Pilot Program	14.529	HUD-H-21643	19,794
U.S. Department of Transportation/Federal Transit Administration - Public Transportation Research	20.514	N/A	329
Department of Education:			
Direct Programs:			
Higher Education Institutional Aid	84.031	N/A	285,038
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	N/A	37,466
Pass-through Programs:			
ARRA - Teacher Quality Partnerships - Recovery Act	84.405	U405A100055	394,966
Total Department of Education			717,470
Total Other Financial Assistance Programs			960,077
Total Expenditures of Federal Awards			**$ 150,866,391**

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cleveland State University under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Because the Schedule presents only a selected portion of the operations of Cleveland State University, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Cleveland State University. Pass-through entity identifying numbers are presented where available.

Subrecipients - Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 45.50 percent from July 1, 2014 to June 30, 2015 for on-campus research and instruction and 13.60 percent from July 1, 2014 to June 30, 2015 for off-campus research.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Department of Health and Human Services:		
Northeast Ohio Medical University/AAMC/NIMHD	93.307	$ 38,715
Northeast Ohio Medical University/CWRU/NIH	93.307	5,520
Baldwin Wallace University/CWRU/NIH	93.307	5,970
National Science Foundation - Cleveland VA Medical Research & Education Foundation	47.070	89,952
Department of Education - Cuyahoga Community College	84.031	178,556
Department of Transportation:		
Ohio University/ODOT	20.205	27,243
University of Cincinnati/ODOT	20.205	769
	Total	$ 346,725

Note 3 - Loans Outstanding

During the fiscal year ended June 30, 2015, the University issued new loans to students under the William D. Ford Federal Direct Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans, Parents' Loans for Undergraduate Students (PLUS), and PLUS loans for graduate and professional students. The value of loans issued for the FDLP is based on disbursed amounts. The undergraduate PLUS loans are applied first to the students' tuition and fees and any remaining balance is disbursed directly to parents or, with the parents' permission, to the student.

In addition, the University participates in the Federal Perkins Loan Program through the Department of Education and Nurse Faculty Loan Program through the Department of Health and Human Services. These loan programs are directly administered by the University and are considered revolving loan programs whereby collections received on past loans, including interest, and new funds received from federal agencies are loaned out to current students. The outstanding balances on these loans are disclosed in the schedule of expenditures of federal awards. The loans issued through the Federal Perkins Loan Program and the Nurse Faculty Loan Program during the year ended June 30, 2015 amounted to $2,818,117 and $28,000, respectively.

Note 4 - Adjustments and Transfers

The University spent $10,000 of the carried back Federal Work Study Program (84.003) funds from the 2014-2015 award year in the 2013-2014 award year.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ______ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264	Student Financial Aid Cluster
Various	Research & Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2015-001	**Program Name** - Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268) **Pass-through Entity** - N/A **Finding Type** - Significant Deficiency **Criteria** - 34 CFR Section 690.83(b)(2) - In relation to Pell, an institution shall submit, in accordance with deadline dates established by the Secretary through publication in the Federal Registrar, certain required reports, including student status confirmation reports (SSCR). 34 CFR Section 685.309 and 34 CFR Part 668 - In relation to the Direct Loan Program, student status confirmation reports shall be completed and returned to the Secretary within 30 days of receipt. In addition, unless the institution expects to submit its next student status confirmation report to the Secretary within the next 60 days, the institution must notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who has ceased to be enrolled on at least a half-time basis, has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended, or has changed his or her permanent address. **Condition** - Cleveland State University (the "University") utilizes a third-party service organization, National Student Clearinghouse (NSC), to submit SSCR on their behalf. The University submitted a change in status to the National Student Clearinghouse for certain students; however, the status was not reported to the National Student Loan Data System (NSLDS). **Questioned Costs** - N/A **Context** - Of the 25 tested, four students did not have their status updated upon graduation and one student did not have their status updated upon withdrawal.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	**Cause and Effect** - The University did not have a process in place to appropriately verify that status changes for certain students were submitted to NSLDS within the required time frame.

As a secondary effect, if a student is not reported as graduated or withdrawn to NSLDS and continues their education, it may appear that they have exceeded the allowed 150 percent of the length of the borrower's educational program. When this occurs, the student becomes ineligible to receive Direct Subsidized Loans and loses eligibility for interest subsidies.

Recommendation - The University needs to implement a process in order to maintain compliance with the reporting requirements.

Views of Responsible Officials and Planned Corrective Actions - We agree that that the Department considers the school the source of enrolment data, not the data providers, and acknowledge that with the implementation of the 150 percent subsidized loan limit makes the reporting of a Withdrawn or Graduated status even more critical. The completion of a program protects the student's interest subsidy. A withdraw indicates that the program was not completed or that the student is not currently taking coursework in the program.

The University Registrar's Office has developed procedures to ensure that all required criteria in the students' records are met in the file(s) submission process. This will afford the University the ability to notify a change in student's status (if needed) abiding by the National Student Clearinghouse file submission layout requirements.

Additionally, procedures are developed that will afford the University to verify, for students who have status changes, that their enrollment status is submitted timely and within the federally required time frame.

Responsible Individual: The Assistant University Registrar, Systems is implementing the above corrective action.

Date by Which the Corrective Action Will Be Implemented: October 21, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-002	**Program Name** - Federal Perkins Loan Program - 84.038

Pass-through Entity - N/A

Finding Type - Significant Deficiency

Criteria - 34 CFR Section 674.42 states that an institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.

Condition - Cleveland State University (the "University") uses a third-party service organization, Educational Computer Systems, Inc. (ECSI), to perform exit interviews upon separation. Students who withdrew from the University and did not notify the institution were not provided exit interviews within the required time frame.

Questioned Costs - N/A

Context - Of the 25 tested, two students did not receive an exit interview within the required 30 days after learning that the borrower has withdrawn.

Cause and Effect - There was not a control in place between the University and ESCI to ensure exit interviews were conducted within 30 days of the University learning that the borrower withdrew.

Recommendation - The University should implement a process to ensure that the third-party loan servicer is notified of student withdrawals in a timely manner so that contact with the borrower can occur within the required timeframe.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-002 (Cont.)	**Views of Responsible Officials and Planned Corrective Actions** - We agree that it is CSU's responsibility to ensure our third-party service organization is notified timely in accordance with the federal regulations to perform the exit interview upon separation. The Office of Treasury Services (OTS) is developing a procedural control that will ensure that Perkins Loan Borrowers are notified of the exit counseling requirement within the federal mandated time frame. This will complement the efforts of our third-party loan-service organization in the notification of the exit counseling requirement within the federally required time frame. The Office of Treasury Services (OTS) will identify on a pre-determined calendar that will coincide with the University's SSCR enrollment reporting schedule, all Perkins loan borrowers who meet the exit counseling initialization criteria. OTS will send out an exit counseling packet to specific students as required. A notation will be made with our third party indicating that a paper exit has been sent to the student and the date of the mailing. Our third-party loan servicer will be acting as a secondary control, sending out exit counseling material when updated by the National Student Clearinghouse. Responsible Individual: The Associate Director of Treasury Services is implementing the corrective action. Date by Which the Corrective Action Will Be Implemented: October 25, 2015

Cleveland State University

Agreed-Upon Procedures Report
Related to NCAA Constitution 3.2.4.16

June 30, 2015

Cleveland State University
Report

Contents

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Independent Accountants' Report on the Application of Agreed-upon Procedures

Dr. Ronald M. Berkman, President
Cleveland State University
Cleveland, Ohio 44115

We have performed the procedures enumerated below, which were agreed to by the president of Cleveland State University (the "Institution"), solely to assist you in evaluating whether the accompanying intercollegiate athletics program statement of revenue and expenditures of Cleveland State University is in compliance with the National Collegiate Athletics Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2015. Cleveland State University's management is responsible for the statement of revenue and expenditures (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenue and Expenditures

The procedures that we performed and our results are as follows:

Internal Control Structure

A. **Procedure:** In preparation for our procedures related to the Institution's internal control structure:

   1) We met with the associate director of intercollegiate athletics and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the Institution, the competence of personnel, and the protection of records and equipment.

   2) We obtained the audited financial statements for the year ending June 30, 2015 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure.

   3) We obtained documentation of the accounting systems and procedures unique to the intercollegiate athletics department. Management represented that the only procedures unique to the intercollegiate athletics department was the ticket collection receipting process.

4) Cash disbursements and athletic employee payroll are addressed in connection with the audit of the Institution's financial statements. The following control environment and accounting systems (a) are unique to the intercollegiate athletics and (b) have not been addressed in connection with the audit of the Institution's financial statements. We performed the following procedures:

   i. We selected one game and traced ticket collections per the receipting process for the game selected to the reconciliation and documentation of the related cash deposit amount with the bank.

Result: We noted no exceptions. The cash and checks from ticket sale reports were traced to the deposit slip and bank statement. The ticket cash receipt amount tested was for the following deposit:

Event Date	Sporting Event	Ticket Sales Amount	Deposit Amount	Deposit Date
1/8/2015	Men's Basketball vs. Oakland	$ 2,272	$ 2,272	1/12/2015

NCAA Reporting

B. **Procedure:** The Financial Report Submission to the NCAA is now due on January 15, 2016. We obtained the financial data detailing operating revenue, expenses, and capital related to the Institution's intercollegiate athletics program that will be submitted to the NCAA and agreed the amounts to the intercollegiate athletics program statement of revenue and expenses included in the agreed-upon procedures for the reporting period.

Results: We noted no discrepancies.

C. **Procedure:** We agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the Institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the Institution.

Results: We noted no discrepancies in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists.

Notes and Disclosures

D. **Procedure**: We obtained and described the Institution's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets in Note 2. We agreed the schedule to the Institution's general ledger. We obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the Institution during the reporting period. We recalculated annual maturities (consisting of principal and interest) provided in the schedules obtained and agreed the total annual maturities to supporting documentation and the Institution's general ledger, as applicable. The intercollegiate athletics debt is disclosed in Note 3.

   Result: We noted no exceptions.

E. **Procedure**: We obtained significant additions to restricted funds related to intercollegiate athletics, as well as significant changes to endowment and plant funds. Significant is defined as exceeding 10 percent of total revenue or expense in the statement.

   Results: See Notes 1 and 4 for disclosures.

Statement of Revenue and Expenditures

F. **Procedure:** We obtained the intercollegiate athletics program statement of revenue and expenditures for the reporting period prepared by management and agreed all amounts back to the Institution's general ledger.

   Result: Procedures were performed without exception.

G. **Procedure:** We compared each revenue and expenditure amount from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding $1 million or 10 percent of total revenue or expenses.

   Result: See Appendix A. The budget to actual statement comparison was not performed on the same level of detail as the actual to actual comparison due to limitations of the Institution's internal reporting structure for the budgeting process.

H. **Procedure:** We performed additional procedures on the following revenue and expense categories unless the specific reporting category is less than 0.5 percent of total revenue or expenses.

   Results: See procedures below.

Dr. Ronald M. Berkman, President
Cleveland State University

Revenues

I. **Procedure:** We agreed each revenue reported in the statement during the reporting period to supporting schedules provided by the Institution. We compared a sample of operating revenue receipts obtained from the supporting schedules to supporting documentation as described in the procedures below.

   Result: The supporting schedules provided by the Institution agreed to the statement without exception.

   We performed the following procedures for the indicated revenue category:

   1) Ticket Sales
      Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the Institution in the statement and related attendance figures and recalculated totals.

      Result: The total revenue for this category tied within $400 to the general ledger detail and the new era game settlement reports. We noted no other exceptions.

   2) Student Fees
      Procedure: We agreed student fees reported by the Institution in the statement for the reporting period to student enrollments during the same reporting period. We obtained the Institution's methodology for allocating student fees to intercollegiate athletics programs and recalculated totals.

      Result: We noted the University allocated fees to intercollegiate athletics programs by transfers of unrestricted fund balance at year end based upon actual expenditures. We completed the procedures above without exception.

   3) Direct State or Other Governmental Support
      Procedure: We requested direct state or other governmental support recorded by the Institution during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation and were to recalculate totals.

      Result: Revenue category not applicable per review of the statement. Procedure not deemed necessary.

   4) Direct Institutional Support
      Procedure: We were to agree the direct institutional support recorded by the Institution during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation and recalculate totals.

Result: Revenue category is under the 0.5 percent threshold of total revenue per review of the statement. Procedure not deemed necessary.

5) Transfers Back to Institution
Procedure: We requested a schedule of transfers back to the Institution and were to agree to permanent transfers back to the Institution from the athletics department and recalculate totals.

Result: Revenue category is not applicable per review of the statement. Procedure not deemed necessary.

6) Indirect Institutional Support
Procedure: We were to agree the indirect institutional support recorded by the Institution during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation and recalculate totals.

Result: Revenue category not applicable per review of the statement. Procedure not deemed necessary.

7) Guarantees
Procedure: We selected a sample of one settlement report for away games during the reporting period and agreed the selection to the Institution's general ledger. We agreed a sample of one contractual agreement pertaining to revenue derived from guaranteed contests during the reporting period and agreed the selection to the Institution's general ledger. We also recalculated totals.

Result: We selected the following game agreement:

Event Date	Sporting Event	Guarantee Amount
December 29, 2014	Men's Basketball - Virginia Commonwealth University	$ 95,000

We obtained the respective contractual agreement for the game and guarantee amount listed above, agreed the amount to the contract, and agreed the amount to the Institution's general ledger. We noted no exceptions.

8) Contributions
Procedure: We will obtain supporting documentation for each contribution of moneys, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report.

Result: We noted no contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals received exceeding 10 percent during the reported period, however, we did note a contribution exceeding 10 percent to the Cleveland State University Foundation that was transferred onto the intercollegiate athletics program. See Notes 1 and 4.

9) In-kind
Procedure: We requested a schedule of all in-kind donations and were to agree them to the amounts recorded on the above revenue supporting schedules and recalculate totals.

Result: Revenue category is not applicable per review of the statement. Procedure not deemed necessary.

10) Media Rights
Procedure: We requested all agreements related to the Institution's participation in revenue from broadcast, television, radio, and Internet rights. We were to agree related revenue to the Institution's general ledger and/or the statement. We were to also recalculate totals.

Result: Revenue category is not applicable per review of the statement. Procedure not deemed necessary.

11) NCAA Distributions
Procedure: We agreed the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and recalculated totals.

Result: Procedures were performed without exception.

12) Conference Distributions
Procedure: We requested all agreements related to the Institution's conference distributions and participation in revenue from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We were to compare the related revenue to the institution's general ledger and/or the statement.

Result: Revenue category is under the 0.5 percent threshold of total revenue per review of the statement. Procedure not deemed necessary.

13) Program Sales, Concessions, Novelty Sales, and Parking
Procedure: We agreed related revenue to the Institution's general ledger detail of program sales, concessions, novelty sales, and parking as well as other corroborative supporting documents and recalculated totals.

Result: Procedures were performed without exception.

14) Royalties, Licensing, Advertisements, and Sponsorships
Procedure: We obtained and inspected all 31 agreements related to the Institution's participation in revenue from royalties, advertisements, and sponsorships during the reporting period. We agreed the related revenue to the Institution's general ledger and the statement. We also recalculated totals.

Result: Procedures were performed without exception.

15) Sports Camp Revenue
Procedure: We requested all sports camp contracts between the Institution and persons conducting the Institution sports camps or clinics during the reporting period. We were to obtain schedules of camp participants.

Result: Revenue category is not applicable per review of the statement. Procedure not deemed necessary.

16) Athletics Restricted Endowment and Investment Income
Procedure: We obtained and inspected all endowment agreements to gain an understanding of the relevant terms and conditions. We agreed the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement. We also recalculated totals.

Result: Procedures were performed without exception.

17) Other
Procedure: We agreed other revenue to the Institution's general ledger and the statement and recalculated totals.

Result: Procedures were performed without exception.

Expenditures

J. **Procedure:** We agreed each expense category reported in the statement during the reporting period to supporting schedules provided by the Institution. We agreed a sample of operating expense receipts obtained from the supporting schedules to supporting documentation as described in the procedures below.

Result: The supporting schedules provided by the Institution agreed to the statement without exception.

Dr. Ronald M. Berkman, President
Cleveland State University

We performed the following procedures for the indicated expenditure category:

1) Athletic Student Aid
   Procedure: We selected a sample of 21 students (at least 10 percent of the total student athletes since the Institution uses NCAA's Compliance Assistant software to prepare athletic aid detail) from the listing of institutional student aid recipients during the reporting period. We obtained individual student account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account.

   a. We performed a check of each student selected to ensure that their information was reported accurately in either the NCAA's Compliance Assistant software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:

      i. The equivalency value for each student-athlete in all sports, including head-count sports, need to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount, which is the total cost for tuition, fees, books, and room and board for an academic year, as the denominator. If using the NCAA Compliance Assistant software, this equivalency value should already be calculated on that squad list labeled "Rev. Dist. Equivalent Award."
      ii. If an athlete participates in more than one sport, the Rev. Dist. Equivalent Award can only be included in one sport. NCAA Compliance Assistant software will place an asterisk by the student athlete within the sport that is not countable towards grants-in-aid revenue distribution.
      iii. All equivalency calculations should be rounded to two decimal places. The NCAA Compliance Assistant software and the on-line summary form will automatically round to two decimal places.
      iv. The full grant amount should be the full cost of tuition for an academic year, not a semester.
      v. If a sport is discontinued and the grants are still being honored by the Institution, the grants may be included in the total.
      vi. Student-athletes receiving athletic aid who have exhausted their athletics eligibility or are inactive due to medical reasons should be included in the grants-in-aid calculation, marked properly on the squad list and on the Grants-in-Aid submission form.
      vii. Only athletic grants awarded in sports in which the NCAA conducts championship competitions, emerging sports for women, and football should be included in the calculations.

b. We recalculated totals for each sport and overall.

Result: The total amount of student aid from the squad list tied within $600 to the amount shown on the statement of revenue and expenditures. During our testing we noted one student's countable aid was incorrectly recorded in the squad list. Management represents that corrective action was taken prior to the date of this report. We noted no other exceptions. The students' accounts tested are summarized below:

Student Tested	Amount Awarded	Student Tested	Amount Awarded
1	$ 22,700	12	$ 8,500
2	25,942	13	23,098
3	15,486	14	21,970
4	22,878	15	20,800
5	25,942	16	23,482
6	13,442	17	25,942
7	5,108	18	8,200
8	13,242	19	5,808
9	8,000	20	25,942
10	25,942	21	22,700
11	22,700		

2) Guarantees

Procedure: We were to obtain and inspect all away-game settlement reports received by the Institution during the reporting period and agree related expenses to the Institution's general ledger and/or the statement. We were to obtain and inspect all contractual agreements pertaining to expenses recorded by the Institution from guaranteed contests during the reporting period. We were to agree related amounts expensed by the Institution during the reporting period to the Institution's general ledger and the statement. We were to also recalculate totals.

Result: Expense category is under the 0.5 percent threshold of total expense per review of the statement. Procedure not deemed necessary.

3) Coaching Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities
Procedure: We obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period. We selected a sample of five coaches' contracts that includes football and men's and women's basketball from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities in the statement during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related coaching salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period and recalculated totals. We will compare and agree the totals recorded to any employment contracts executed for the sample selected.

Result: We selected coaching contracts from the following programs:

Coach	Program
1	Women's Basketball
2	Men's Basketball
3	Women's Track and Cross Country
4	Men's Soccer
5	Women's Volleyball

The Institution does not have a football program. Total expense for this category tied within $8,000 to supporting general ledger documentation. We noted that one coach did not receive a $5,000 bonus payment during the June 15 payroll due to an oversight issue. Management represents that corrective action was in process as of the date of this report. We noted no other exceptions.

4) Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities
Procedure: We selected a sample of one support staff/administrative personnel employed by the Institution and related entities during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period. We also recalculated totals.

Result: We selected the support staff below:

Staff Title	Program
Athletic Director	Intercollegiate Athletics

Total expense for this category tied within $200 to supporting general ledger documentation. We noted no other exceptions.

5) Severance Payments
Procedure: We requested a sample of employees receiving severance payments by the Institution during the reporting period and were to agree each severance payment to the related termination letter or employment contract and recalculate totals.

Result: Expense category is not applicable per review of the statement. Procedure not deemed necessary.

6) Recruiting
Procedure: We obtained the Institution's recruiting expense policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Result: We noted that the policy followed by the Institution is identical to the policies set forth by the NCAA.

7) Team Travel
Procedure: We obtained the Institution's team travel policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Result: Procedures were performed without exception.

8) Equipment, Uniforms, and Supplies
Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

Result: We selected the following transaction:

Date	Program	Expense Description	Expense Amount
October 24, 2014	Men's basketball	Team uniforms	$ 3,890

Total expense for this category tied within $100 to supporting general ledger documentation. We noted no other exceptions.

9) Game Expenses

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

Result: We selected the following transaction:

Date	Program	Expense Description	Expense Amount
January 6, 2015	Men's basketball	Compensation for game official	$ 2,000

Total expense for this category tied within $1,400 to supporting general ledger documentation. We noted no other exceptions.

10) Fund Raising, Marketing, and Promotion

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

Result: We selected the following transaction:

Date	Program	Expense Description	Expense Amount
November 31, 2014	Men's basketball	Men's basketball books	$ 275

Total expense for this category tied within $400 to supporting general ledger documentation. We noted no other exceptions.

11) Sports Camp Expenses

Procedure: We requested general ledger detail and were to agree to the total expenses reported.

Result: Expense category is not applicable per review of the statement. Procedure not deemed necessary.

12) Spirit Groups

Procedure: We were to obtain general ledger detail and agree to the total expenses reported. We were to agree a sample of one transaction and agree to supporting documentation. We were to recalculate totals.

Result: Expense category is under the 0.5 percent threshold of total expense per review of the statement. Procedure not deemed necessary.

13) Athletic Facility Debt Service, Leases, and Rental Fees
Procedure: We obtained a listing of debt service schedules, lease payments, and rental fees for athletic facilities for the reporting year. We agreed a sample of facility payments, including the top two highest facility payments, to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements). We agreed amounts recorded listed in the general ledger detail and recalculated totals.

Result: We selected the following facility payments:

Date	Department	Expense Description	Expense Amount
July 24, 2014	Krenzler Field	GE Capital Public Finance- Lease Rental Fees	$ 22,783
February 25, 2015	Men's tennis	Paramount Tennis Club- Facility Fees	3,189

Procedures were performed without exception.

14) Direct Overhead and Administrative Support
Procedure: We requested general ledger detail and were to agree to the total expenses reported. We requested a sample of one transaction and were to agree to supporting documentation. We were to recalculate totals.

Result: Expense category not applicable per review of the statement. Procedure not deemed necessary.

15) Indirect Institutional Support
Procedure: We requested the indirect institutional support recorded by the Institution during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation and were to recalculate totals.

Result: Expense category is not applicable per review of the statement. Procedure not deemed necessary.

16) Medical Expenses and Medical Insurance
Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

Result: We selected the following transaction:

Date	Department	Expense Description	Expense Amount
October 15, 2014	Sports Medicine	Cleveland Clinic Foundation-Medical Expenses	$ 3,046

We noted no exceptions.

17) Memberships and Dues
Procedure: We were to obtain general ledger detail and agree to the total expenses reported. We were to agree a sample of one transaction to validate existence of the transaction and accuracy of recording. We were to agree to supporting invoice and recalculate totals.

Result: Expense category is under the 0.5 percent threshold of total expense per review of the statement. Procedure not deemed necessary.

18) Other Operating Expenses
Procedure: We agreed other expenses to the reporting period to the Institution's general ledger and recalculated totals.

Result: We completed the procedure above without exception.

Affiliated and Outside Organizations

K. In preparation for our procedures related to the Institution's affiliated and outside organizations, we:

1) Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

i. Booster organizations established by or on behalf of an intercollegiate athletics program.

ii. Independent or affiliated foundations or other organizations that have, as a principal purpose, the generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments, or other moneys, goods, or services to be used entirely or in part by the intercollegiate athletics program.

iii. Alumni organizations that have, as one of its principal purposes, the generating of moneys, goods, or services for or on behalf of an intercollegiate athletics programs and that contribute moneys, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted.

2) Obtained documentation on the Institution's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Institution's intercollegiate athletic program

3) Obtained and inspected audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management.

   Result: We noted the only affiliated organization was Cleveland State University Foundation, Inc. We obtained and inspected the audited financial statements of Cleveland State University Foundation, Inc. and the management letter as a result of their June 30, 2015 audit.

L. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the Institution's accounting control, we will obtain those organization's financial statements for the reporting period.

   Result: There were no expenses on or on behalf of intercollegiate athletic programs affiliated and outside organizations not under the Institution's accounting control. No additional procedures were performed.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying intercollegiate athletics program statement of revenue and expenditures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Cleveland State University management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 30, 2015

Cleveland State University

Intercollegiate Athletics Program Statement of Revenue and Expenditures
Year Ended June 30, 2015

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
Revenue						
Ticket sales	$ -	$ 245,451	$ 3,574	$ 11,286	$ -	$ 260,311
Student fees	-	1,608,887	1,318,354	3,962,109	2,718,754	9,608,104
Direct institutional support	-	13,881	10,070	-	24,477	48,428
Game guarantees	-	355,000	30,500	-	-	385,500
Contributions	-	36,100	124,853	193,761	166,640	521,354
NCAA distributions	-	-	-	-	329,881	329,881
Conference distributions	-	-	-	-	15,000	15,000
Novelty sales	-	-	-	-	13,632	13,632
Licensing, advertisement, and sponsorships	-	-	-	-	341,145	341,145
Athletics restricted endowment income	-	25,229	6,117	26,811	33,753	91,910
Other operating revenue	-	-	-	-	212,291	212,291
Total revenue	**$ -**	**$ 2,284,548**	**$ 1,493,468**	**$ 4,193,967**	**$ 3,855,573**	**$ 11,827,556**
Expenses						
Athletic student aid	$ -	$ 443,359	$ 508,243	$ 2,039,318	$ 33,753	$ 3,024,673
Guarantees	-	8,312	5,000	1,934	-	15,246
Coaching salaries	-	1,172,597	388,039	1,159,218	-	2,719,854
Support staff/Administration salaries	-	101,050	91,382	-	1,783,996	1,976,428
Recruiting	-	88,235	42,494	44,083	-	174,812
Team travel	-	209,183	298,733	612,997	89,223	1,210,136
Sports equipment, uniforms, and supplies	-	53,255	27,731	143,778	49,077	273,841
Game expenses	-	72,103	41,100	46,162	188,459	347,824
Fundraising, marketing, and promotion	-	-	-	-	261,562	261,562
Spirit groups	-	-	-	-	47,093	47,093
Athletic facility debt service, lease, and rental fees	-	-	-	18,116	508,294	526,410
Medical expenses and insurance	-	-	-	-	300,608	300,608
Memberships and dues	-	2,971	1,634	6,805	11,696	23,106
Other operating expenses	-	133,484	89,111	121,657	581,711	925,963
Total expenses	**$ -**	**$ 2,284,549**	**$ 1,493,467**	**$ 4,194,068**	**$ 3,855,472**	**$ 11,827,556**
Revenues (under) over expenditures	**$ -**	**$ (1)**	**$ 1**	**$ (101)**	**$ 101**	**$ -**

Notes to Intercollegiate Athletics Program Statement of Revenue and Expenditures For the Year Ended June 30, 2015

Note 1 - Contributions

There were no individual contributions of moneys, goods, or services received directly by the Institution's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitute 10 percent or more of all contributions received for Intercollegiate athletics during the year ended June 30, 2015. There was an individual contribution that constituted more than 10 percent of all contributions received by Cleveland State University Foundation in the amount of $1,400,000 from Medical Mutual of Ohio that was transferred to intercollegiate athletics during the year ending June 30, 2015.

Note 2 - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5-40 years depending on class.

The current year capitalized additions and deletions to facilities during the year ending are as follows:

	Current Year Additions	Current Year Deletions
Basketball athletics facilities	$ 310,629	$ -
Other athletics facilities	26,147	-
Total athletics facilities	$ 336,776	$ -
Other institutional facilities	$ 45,962,151	$ 485,000

Note 2 - Intercollegiate Athletics-Related Assets

The total estimated book values of property, plant, and equipment, net of depreciation, of the Institution as of the year ended June 20, 2015, are as follows:

	Estimated Book Value
Athletically-related property, plant, and equipment balance	$ 53,801,011
Institution's total property, plant, and equipment balance	917,449,109

Note 3 – Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the Institution as of the year ended June 30, 2015 is as follows:

	Annual Debt Service	Debt Outstanding
Athletically-related facilities	$ 45,567	$ -
Institution's total	26,118,922	253,937,039

Note 4 – Restricted and Endowment and Plant Funds

We obtained a summary of additions to restricted funds related to intercollegiate athletics exceeding 10 percent, as well as changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics prepared by management as follows:

Restricted/Endowment/Plant Funds	Value
Medical Mutual of Ohio - Contribution for construction of new tennis facility	$1,400,000

Appendix A
Revenue and Expenditures Variance - Actual to Actual

	Actual 6/30/15	Actual 6/30/14	$ Change	% Change	Explanation Provided by Intercollegiate Athletics
Revenue:					
Direct Institutional Support	48,428	281,446	(233,018)	-82.79%	In fiscal year 2014, athletics received an additional $229,716 of support that was reported on this line. In fiscal year 2015, athletics received an additional $107,279 which was reported on the student fees line.
Guarantees	385,500	155,000	230,500	148.71%	In fiscal year 2014, men's basketball played one guarantee game for $155,000. In fiscal year 2015, men's basketball played three guarantee games for $355,000 and the women played two guarantee games for $30,500.
NCAA Distributions	329,881	414,927	(85,046)	-20.50%	In fiscal year 2014, the NCAA report grouped NCAA and conference distributions in one category which accounts for $15,000 of the decrease. The University also received $55,260 less in NCAA distributions for sport sponsorship and grants in aid.
Conference Distributions (Non Media or Bowl)	15,000	-	15,000	100.00%	This is a new category.
Program Sales, Novelty, Parking, and Concession Sales	13,632	29,306	(15,674)	-53.48%	The amount deposited in fiscal year 2014 included revenue for fiscal year 2013 that was not received fiscal year 2013.
Royalties, Licensing, Advertisements. and Sponsorships	341,145	246,714	94,431	38.28%	The University signed a new pouring rights contract with Pepsi that included an upfront payment to the University. Athletics received $60,000 of that payment. There was also a $31,639 increase in sponsorship sales.
Other Operating Revenue	212,291	134,295	77,996	58.08%	In fiscal year 2015, athletics co-hosted the NCAA men's basketball regional and sold $43,500 in ticket sales. Athletics also received $21,761 more in tournament reimbursement in fiscal year 2015 than in fiscal year 2014.
Expenses:					
Guarantees	15,246	23,012	(7,766)	-33.75%	Men's basketball spent $8,188 less on guarantees in fiscal year 2015 than in fiscal year 2014.
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	2,719,854	2,452,340	267,514	10.91%	Per his contract, the men's basketball coach receives 50% of the net from guarantee games. The net was $130,593 higher in fiscal year 2015 than in fiscal year 2014.
Game Expenses	347,824	169,743	178,081	104.91%	The fiscal year 2014 expenses only included game officials. The fiscal year 2015 report includes $188,459 of facility charges and game support personnel.
Fund Raising, Marketing, and Promotion	261,562	235,606	25,956	11.02%	Athletics paid a consultant $25,000 for a marketing study in fiscal year 2015. There was no such expense in fiscal year 2014.
Spirit Groups	47,093	52,694	(5,601)	-10.63%	Due to a transition in the coaching staff, athletics spent $4,567 less in salary and benefits in fiscal year 2015.
Athletic Facilities Debt Service, Leases, and Rental Fee	526,410	767,805	(241,395)	-31.44%	The fiscal year 2014 figure included $173,546 of game day facility expenses. Those expenses have been included in the game expenses on the fiscal year 2015 report.
Medical Expenses and Medical Insurance	300,608	256,105	44,503	17.38%	The insurance premium increased $67,208 in fiscal year 2015. There was a decrease of $11,833 for equipment and supplies in fiscal year 2015.

Appendix A (Continued)
Revenue and Expenditures Variance - Actual to Budget

	Actual	Budget	$ Change	% Change	Explanation Provided by Intercollegiate Athletics
Revenue:					
Men's Basketball	600,451	400,000	200,451	50.11%	When the University built the budget there was only one scheduled guarantee game. After the budget was submitted, two guarantee gameswere added - one for $100,000, the second for $95,000.
Other Sports	45,460	18,500	26,960	145.73%	After the University submitted the budget, a contract for a guarantee game for women's basketball at $30,000 was signed.
Expenses:					
Public relations	17,660	28,500	(10,840)	-38.04%	This was offset by an over-expenditure for advertising which is in the same accounting group.
Printing	28,026	32,500	(4,474)	-13.77%	This was offset by an over-expenditure for advertising which is in the same accounting group.
Travel	174,042	59,106	114,936	194.46%	The University spent $43,500 for NCAA men's basketball regional tickets. This was offset by $43,500 of income. Also, the University incurred $58,795 of expenses for NCAA championship travel for men's golf, two road games for men's basketball in the College Insider Tournament, and one game for women's basketball in the women's WNIT.
Supplies	157,418	194,075	(36,657)	-18.89%	The University underspent $22,502 in the internal operations budget and $8,970 in sports medicine for a total saving of $31,472.
Telephone	21,170	27,438	(6,268)	-22.84%	Phone rates and usage were less than anticipated.
Other	327,218	266,281	60,937	22.88%	The cost of athletic injury insurance was $38,209 more than was budgeted.
Men's Basketball	2,209,339	1,961,491	247,848	12.64%	Per his contract, head coach Gary Waters received a bonus of $195,847, including benefits.
Men's Tennis	220,978	197,751	23,227	11.75%	Men's tennis was overspent in grants in aid by $21,308.
Women's Swimming	289,210	336,598	(47,388)	-14.08%	Women's swimming was underspent in grants in aid by $41,120. The unde-usage of grants in aid funds can be largely attributed to a coaching change that occurred at the end of the 2014-2015 season.
Women's Basketball	1,352,428	1,217,166	135,262	11.11%	Women's basketball was overspent in grants in aid by $95,672.

CLEVELAND STATE UNIVERSITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 3, 2015

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